NEW ISSUE – BOOK ENTRY ONLY **NOT RATED**
(Bank Qualified)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$4,435,000
FOWLER PUBLIC FINANCING AUTHORITY
2010 Refunding Revenue Bonds

Dated: Date of Delivery **Due: September 15, as shown on inside cover**

The $4,435,000 Fowler Public Financing Authority 2010 Refunding Revenue Bonds (the "Bonds") are being issued by the Fowler Public Financing Authority (the "Authority") pursuant to an Indenture of Trust dated as of September 1, 2010 (the "Indenture") between the Authority and Union Bank, N.A., as trustee (the "Trustee"). The Bonds are being issued to refund the outstanding Fowler Public Financing Authority 2000 Revenue Bonds, currently outstanding in the amount of $4,190,000. The Bonds will be payable from and secured by "Revenues", which generally include payments to be made pursuant to six separate obligations (the "Local Obligations") of the City of Fowler (the "City"). The Local Obligations are each separately secured, and are payable from separate pledged revenue sources, including (i) general fund revenues of the City, (ii) Gas Tax Revenues, (iii) unpaid reassessments on parcels in a reassessment district of the City, (iv) tax increment revenues from the Redevelopment Agency's Fowler Project Area and (v) net revenues from the City's Water Enterprise. In addition, reserve funds have been established for the Bonds and for the Local Obligation of the Redevelopment Agency of the City of Fowler (the "Redevelopment Agency"). See "SECURITY FOR THE BONDS – The Local Obligations" and Appendices C through G.

The Bonds are being issued in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Payments of the principal of, premium, if any, and interest on the Bonds will be made by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds.

Interest on the Bonds will be payable at the rates set forth below on March 15 and September 15 of each year, commencing March 15, 2011. The Bonds will mature on September 15 in the years and in the amounts as shown on the Maturity Schedule set forth below. Individual purchases will be in principal amounts of $5,000 or in any integral multiples of $5,000. Interest on the Bonds will be paid by check of the Trustee mailed to the registered owners of the Bonds or, in certain cases, by wire transfer. Principal of the Bonds at maturity or upon redemption will be paid by check of the Trustee upon presentation and surrender of the Bonds at the office of the Trustee.

The Bonds are subject to optional, extraordinary mandatory and mandatory sinking fund redemption prior to maturity as set forth herein. (See "THE BONDS - Redemption.")

The Bonds are special obligations of the Authority. The Bonds are payable solely from Revenues of the Authority pledged under the Indenture, consisting primarily of payments received from the Local Obligations, as more fully described herein. Payments under the Local Obligations are calculated to be sufficient, together with other Revenues, to permit the Authority to pay the principal of, premium, if any and interest on the Bonds when due.

THE BONDS ARE NOT A DEBT OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISION ARE PLEDGED TO THE PAYMENT OF THE BONDS.

This cover page contains information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, as well as the section entitled "SPECIAL RISK FACTORS," for a discussion of special factors which should be considered, in addition to the other matters set forth in, in considering the investment quality of the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the Authority and the City by Lozano Smith, Fresno, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery to DTC in New York, New York on or about September 8, 2010.

Dated: August 19, 2010

MATURITY SCHEDULE

Base CUSIP† 351132

Maturity Date (September 15)	Principal Amount	Interest Rate	Price	CUSIP†
2011	$290,000	2.000%	99.749	CP8
2012	290,000	2.250	99.510	CQ6
2013	300,000	2.750	99.283	CR4
2014	275,000	3.250	99.069	CS2
2015	280,000	3.500	97.745	CT0
2018	320,000	4.500	98.021	CW3
2019	330,000	4.750	98.201	CX1
2020	340,000	5.000	98.452	CY9

$595,000 4.375% Term Bond due September 15, 2017; Price 98.662, CUSIP† CV5

$1,415,000 5.100% Term Bond due September 15, 2023; Price 97.675, CUSIP† DB8

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP services. None of the City, the Authority nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth above.

No dealer, broker, salesperson or any other person has been authorized to give any information or make any representation, other than as contained in this Official Statement, and, if given or made, any such information or representation must not be relied upon as having been authorized by the Authority, the City, the Redevelopment Agency or the Underwriter. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Statements contained in this Official Statement which involve time 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 furnished by the Authority, the City, the Redevelopment Agency or other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction; however, the Underwriter does not guarantee the accuracy or completeness of such information. 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 the affairs of the Authority, the City or the Redevelopment Agency since the date hereof.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS 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 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY, AND SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. NEITHER THE FAITH AND THE CREDIT NOR THE TAXING POWER OF THE CITY, THE REDEVELOPMENT AGENCY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, THE REDEVELOPMENT AGENCY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

FOWLER PUBLIC FINANCING AUTHORITY

BOARD OF DIRECTORS OF THE AUTHORITY/CITY COUNCIL/REDEVELOPMENT AGENCY

Jim Simonian, Chairperson/Mayor/Executive Director
David Cardenas, Authority/Mayor Pro-Tem/Member
Daniel T. Parra, Authority/Council Member/Member
Rico Aguayo, Authority/Council Member/Member
Rick Darling, Authority/Council Member/Member

AUTHORITY/CITY STAFF

Dave Elias, Executive Director of the Authority/City Manager
Ronney Wong, Authority Treasurer/Finance Director
Jeannie Davis, Authority Secretary/City Clerk

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Special Counsel

Lozano Smith
Fresno, California

Reassessment District Administrator

NBS Government Finance Group
Temecula, California

Trustee/Paying Agent/Registrar/Escrow Agent

Union Bank, N.A.
San Francisco, California

TABLE OF CONTENTS

Page

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OFFICIAL STATEMENT

$4,435,000
FOWLER PUBLIC FINANCING AUTHORITY
2010 REFUNDING REVENUE BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance of the $4,435,000 Fowler Public Financing Authority 2010 Refunding Revenue Bonds (the "Bonds"). The Bonds are being issued by the Fowler Public Financing Authority (the "Authority") pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law") and an Indenture of Trust dated as of September 1, 2010 (the "Indenture"), between the Authority and Union Bank, N.A., San Francisco, California, as trustee (the "Trustee"). Capitalized terms used herein and in the appendices hereto and not defined herein or in Appendix A shall have the meanings prescribed in the Indenture.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Bonds to potential investors is made only by means of the entire Official Statement.

Purpose of the Bonds

The Bonds are being issued by the Authority to provide funds to (i) refund and defease the outstanding Fowler Public Financing Authority 2000 Revenue Bonds in the initial aggregate principal amount of $6,175,000 (the "Prior Bonds"), (ii) pay costs of issuance for the Bonds, and (iii) fund a Reserve Fund for the Bonds.

See "THE FINANCING PLAN" and "APPLICATION OF BOND PROCEEDS AND FLOW OF FUNDS - Estimated Sources And Uses of Funds."

Description of the Bonds

For a more complete description of the Bonds and the basic document pursuant to which they are being executed and delivered, see "THE BONDS" and "APPENDIX A – SUMMARY OF INDENTURE."

Redemption. The Bonds are subject to redemption as described herein. See "THE BONDS – Redemption."

Denominations. The Bonds are being delivered in the minimum denominations of $5,000 or any integral multiple thereof.

Registration, transfers and exchanges. The Bonds will be executed and delivered as fully registered Bonds. The Bonds will be registered, transferred and exchanged as set forth in the Indenture. See "THE BONDS – Transfer and Exchange of Bonds." The Bonds will be issued in the book-entry system of the Depository Trust Company. See "APPENDIX J – BOOK-ENTRY ONLY SYSTEM."

Payments. Interest on the Bonds will be paid by check of the Trustee mailed on each March 15 and September 15, commencing March 15, 2011 (each, an "Interest Payment Date") to the persons shown as the registered owners thereof as of the first day of the calendar month preceding such Interest Payment Date. Principal and redemption premium, if any, will be paid at maturity or upon prior redemption by check of the Trustee, upon presentation and surrender at the office of the Trustee. See "THE BONDS – General Provisions."

Sources of Payment for the Bonds

The Bonds are secured by a lien on and security interest in all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture. "Revenues" consist of (a) all amounts derived from or with respect to certain obligations of the City and the Fowler Redevelopment Agency (the "Local Obligations") during the period in which such Local Obligations are owned by the Trustee, including but not limited to all Principal Prepayments and other payments of principal thereof and interest thereon, and (b) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture. See "THE FINANCING PLAN – The Local Obligations" and Appendices C through G for a description of the Local Obligations.

The Prior Bonds will be refunded and discharged upon the issuance of the Bonds, and will be redeemed in full on September 15, 2010. Upon the issuance of the Bonds, in accordance with a Local Obligations Agreement dated as of September 1, 2010 (the "Local Obligations Agreement") among the City, the Authority and the Fowler Redevelopment Agency (the "Redevelopment Agency"), the registered ownership of the Local Obligations will be transferred to the Trustee and the Revenues derived from payments of principal of and interest on the Local Obligations will become the primary source of security for the Bonds.

Pursuant to the provisions of the Indenture, the Authority will transfer in trust and assign to the Trustee, for the benefit of the Owners of the Bonds, all of the Revenues and all of the right, title and interest, if any, of the Authority in the Local Obligations. See "SECURITY FOR THE BONDS – General."

THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY, AND SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. NEITHER THE FAITH AND THE CREDIT NOR THE TAXING POWER OF THE CITY, THE REDEVELOPMENT AGENCY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, THE REDEVELOPMENT AGENCY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject to certain qualifications described herein, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See “TAX MATTERS.”

Professionals Involved in the Offering

Union Bank, N.A., San Francisco, California, will act as Trustee with respect to the Bonds and as Fiscal Agent with respect to certain of the Local Obligations. Union Bank, N.A., will also act as Escrow Agent in connection with the refunding of the Prior Bonds. All proceedings in connection with the issuance of the Bonds are subject to the approval as to legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the City and the Authority by Lozano Smith, Fresno, California. NBS Government Finance Group, Temecula, California administers the Reassessment District.

Bond Owners’ Risks

Certain events could affect the ability of the Authority to make the payments of the principal of, premium, if any, and interest on the Bonds when due. See “SPECIAL RISK FACTORS” herein for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. For discussions of some of the risks associated with the Local Obligations, see each of the six sections entitled “Risk Factors” in each of Appendices C through G, corresponding to each Local Obligation.

The Authority, the City and the Redevelopment Agency

The Fowler Public Financing Authority is a joint exercise of powers authority established pursuant to that certain Joint Exercise of Powers Agreement dated September 1, 1992, between the City and the Redevelopment Agency. See “THE AUTHORITY.”

The City and the Redevelopment Agency are located in Fresno County approximately 11 miles southeast of the City of Fresno on Interstate 99. The City has a council/city manager form of government, with the Mayor and other council members elected at large for four-year terms. The City Council serves as the Redevelopment Agency and certain City personnel provide staff support for the Redevelopment Agency. As of January 2010, the population of the City, as reported by the State of California Department of Finance, was 5,764. See “APPENDIX B – GENERAL INFORMATION ABOUT THE CITY OF FOWLER AND FRESNO COUNTY” and “APPENDIX C – REDEVELOPMENT AGENCY LOAN AGREEMENT”.

THE FINANCING PLAN

In order to provide financing for various projects of the City and the Agency, the Authority previously issued its Fowler Public Financing Authority Revenue Bonds, Series 1993 in the initial aggregate principal amount of $2,475,000 (the "1993 Bonds") and its Fowler Public Financing Authority Revenue Bonds, Series 1994 in the initial aggregate principal amount of $3,965,000 (the "1994 Bonds", and together with the 1993 Bonds, the "Original Bonds"). In 2000, the Authority issued its Fowler Public Financing Authority 2000 Refunding Revenue Bonds in the aggregate principal amount of $6,175,000 (the "Prior Bonds") under an Indenture of Trust dated as of April 1, 2000 (the "2000 Bond Indenture"), between the Authority and Union Bank of California, N.A., now Union Bank, N.A., as trustee (the "2000 Trustee") in order to refinance the Original Bonds.

The Bonds are being issued for the primary purpose of currently refunding and defeasing the outstanding Prior Bonds and thereby realizing interest rate savings. In order to accomplish such objective, the Authority will deliver to the 2000 Trustee, Irrevocable Refunding Instructions (the "Refunding Instructions") whereby a portion of the proceeds of the Bonds, together with other available funds held for the Prior Bonds, will be deposited with the 2000 Trustee and held uninvested in an amount which will be sufficient to pay when due the principal of and interest and redemption premium on the Prior Bonds. The Prior Bonds will be called for redemption in full on September 15, 2010 at a redemption price equal to 101% of the principal amount to be redeemed, together with accrued interest to the redemption date. See "APPLICATION OF BOND PROCEEDS AND FLOW OF FUNDS."

The moneys held by the 2000 Trustee in accordance with the Refunding Instructions are pledged to the payment of the Prior Bonds. Such funds will not be available for the payment of the Bonds.

THE BONDS

General Provisions

The Bonds will be registered initially in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York ("DTC"), which has been appointed as securities depository for the Bonds, and registered ownership may not be transferred thereafter except as provided in the Indenture. Purchasers will not receive certificates representing their interests in the Bonds. Principal of and interest on the Bonds will be paid by the Trustee to DTC, which in turn is obligated to remit such principal and interest to its Participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "APPENDIX J – Book-Entry Only System."

The Bonds will be issued as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof. The Bonds will be dated as of the date of delivery, and will mature on September 15 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth on the inside over page hereof. Interest on the Bonds will be payable commencing on March 15, 2011, and semiannually thereafter on March 15 and September 15 (each, an "Interest Payment Date") subject to the redemption provisions as set forth herein.

Interest on the Bonds will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Bond owners at their respective addresses shown on the registration books kept by the Trustee as of the first day of the month next preceding each Interest Payment Date (each, a "Record Date"), or upon the written request filed with the Trustee prior to the Record Date preceding an Interest Payment Date by an owner of $1,000,000 or more in aggregate principal amount of outstanding Bonds, interest thereon shall be paid on such Interest Payment Date by wire transfer in immediately available funds to the account designated by such owner in such written request. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (ii) a Bond is authenticated on or before the first Record Date (March 1, 2011), in which event interest thereon will be payable from the date of delivery, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Authority for Issuance, Execution and Delivery

The Bonds are being issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as amended from time to time, and will be executed and delivered pursuant to the Indenture. The Indenture was approved by the Authority in substantially final form pursuant to a resolution adopted by the governing board of the Authority on June 15, 2010.

Redemption

Optional Redemption. The Bonds maturing on and before September 15, 2020 are not subject to redemption prior to maturity. The Bonds maturing on September 15, 2023, are subject to redemption, at the option of the Authority, from any source of available funds, in whole, or in part by lot within a maturity, on any date on or after September 15, 2020, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, without premium.

Extraordinary Mandatory Redemption from Redemption Revenues. The Bonds are subject to mandatory redemption on any Interest Payment Date, from amounts received as Redemption Revenues, in whole, or in part among maturities as hereinafter set forth in this subsection (b), as follows:

(i) with respect to the redemption of Bonds from Redemption Revenues derived from the Reassessment Bonds, the Trustee will redeem the Bonds on any Interest Payment Date at a redemption price equal to 101% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

(ii) with respect to the redemption of Bonds from Redemption Revenues derived from the Local Obligations other than the Reassessment Bonds, the Trustee will redeem the Bonds on any Interest Payment Date at a Redemption Price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

"**Redemption Revenues**" means any amount which constitutes principal of and premium, if any, on the Local Obligations which is received by the Trustee upon the redemption of the Local Obligations; but excluding (a) the portion of such amount, if any, constituting a regularly scheduled payment of principal of the Local Obligations and (b) any amount which represents interest on the Local Obligations.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 15, 2017 and 2023 (the "Term Bonds") are also be subject to redemption in whole, or in part by lot, on September 15 in each of the years as set forth in the following table, from deposits made for such purpose under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof will be purchased as described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; *provided, however,* that if some but not all of the Term Bonds have been redeemed as described in "- Optional Redemption" or "- Extraordinary Mandatory Redemption from Redemption Revenues" above, the total amount of all future mandatory sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 as determined by the Authority (written notice of which determination will be given by the Authority to the Trustee).

Term Bonds maturing on September 15, 2017

Sinking Fund Redemption Date (September 15)	Principal Amount To Be Redeemed
2016	$295,000
2017 (maturity)	300,000

Term Bonds maturing on September 15, 2023

Sinking Fund Redemption Date (September 15)	Principal Amount To Be Redeemed
2021	$355,000
2022	375,000
2023 (maturity)	685,000

In lieu of redemption of the Term Bonds described under the preceding paragraph, amounts on deposit in the Revenue Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account under the Indenture during the current Bond Year) may also be used and withdrawn by the Authority at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority in any twelve-month period ending on July 1 in any year will be credited towards and will reduce the par amount of such Term Bonds required to be redeemed by mandatory sinking fund redemption on the next succeeding September 15.

Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers (if less than all Bonds of a maturity are to be redeemed) and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. In addition, any notice of optional redemption must state that the Authority has the right to rescind the notice as described under "- Right to Rescind Notice of Optional Redemption" below.

Right to Rescind Notice of Optional Redemption. The Authority has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent, except that the time period for mailing the original notice of redemption will not apply to mailing any notice of rescission.

Selection of Bonds for Redemption. Whenever less than all of the Bonds of the same maturity are to be redeemed, the Trustee shall select the respective Bonds of such maturity to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Bonds are deemed to be comprised of separate $5,000 denominations and such separate denominations are treated as separate Bonds which may be separately redeemed.

Transfer and Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

The Trustee may refuse to transfer or exchange, any Bonds selected by the Trustee for redemption or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECURITY FOR THE BONDS

General

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED THEREFOR IN THE INDENTURE. THE BONDS ARE NOT A DEBT OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, THE REDEVELOPMENT AGENCY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF PRINCIPAL OR INTEREST ON THE BONDS, AND NEITHER THE AUTHORITY, THE CITY, THE REDEVELOPMENT AGENCY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR, NOR IN ANY EVENT SHALL THE BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE PAYMENTS UNDER THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE REDEVELOPMENT AGENCY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Revenues

The Bonds are equally secured by a lien on and security interest in all of the Revenues. Payment of the principal of, premium, if any, and interest on the Bonds is expected to be made from the Revenues payable pursuant to the terms of the Indenture. "Revenues" consist of:

(a) all amounts derived from or with respect to the Local Obligations during the period in which the Local Obligations are owned by the Trustee, including but not limited to all Redemption Revenues and other payments of principal thereof and interest thereon, and

(b) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture.

Pursuant to the provisions of the Indenture, the amounts held by the Trustee in the Revenue Fund will be transferred to the Interest Account, Principal Account and the Reserve Fund held by the Trustee, as described below under the heading "APPLICATION OF BOND PROCEEDS AND FLOW OF FUNDS".

Reserve Fund

The Reserve Fund has been established under the Indenture, to be held by the Trustee for the security of the Bonds. The Reserve Fund will initially be fully funded from the proceeds of the Bonds. Amounts on deposit in the Reserve Fund will be available to make debt service payments on the Bonds to the extent amounts on deposit in the Interest Account and the Principal Account, respectively, are insufficient to make any principal or interest payments on the Bonds such payments. All interest, profits and other income received from the investment of moneys in the Reserve Fund will be deposited in the Revenue Fund to the extent such funds are not required to cause the balance in the Reserve Fund to equal the Reserve Requirement.

The Reserve Fund has been established to secure debt service due on the Bonds, not the underlying Local Obligations. However, a separate reserve account has been established for the Redevelopment Agency's obligations under the Redevelopment Agency Loan Agreement. For a description of such account, see "APPENDIX C – REDEVELOPMENT AGENCY LOAN AGREEMENT – SECURITY FOR THE LOAN AGREEMENT – Reserve Fund."

See "APPLICATION OF BOND PROCEEDS AND FLOW OF FUNDS – Estimated Sources and Uses" and "– Reserve Fund."

The Local Obligations

Generally. The Revenues securing the Bonds are derived from the following Local Obligations:

	Name of Obligation	Amount Outstanding	% of Local Obligations	Pledged Revenue Source
1	2000 Reassessment Bonds	$1,508,380.01	41.66%	Reassessments
2	1993 Merced Street Improvement Obligation	845,000.00	23.34	Gas Tax, County Local Transportation Fund, Measure C
3	Redevelopment Agency Loan	692,000.00	19.11	Tax Increment
4	1994 Water Obligation	325,000.00	8.98	Net Revenues of Water System
5	1993 Senior Center Sublease	145,000.00	4.01	City General Fund
6	1994 Public Improvements Sublease	105,000.00	2.90	City General Fund
	Total	$3,620,380.01	100.00%	

Following is a brief description of each of the Local Obligations. For a more complete description, see Appendices C through G.

1. ***The City of Fowler 2000 Reassessment Bonds, Series 1993-R and Series 1994-R (the "2000 Reassessment Bonds").*** The 2000 Reassessment Bonds were issued by the City to provide funds to refund and defease two existing issues of limited obligation improvement bonds of the City (the "1993 Assessment Bonds" and the "1994 Assessment Bonds"), and are secured by certain unpaid Reassessments against the Reassessment Parcels in the Consolidated Reassessment District of 2000 (the "Reassessment District"). The Reassessment District is comprised of the consolidation of the City's former Assessment District No. 1993-1 and Assessment District No. 1994-1. Based on the total assessed valuation of all parcels in the Reassessment District, the aggregate value-to-lien ratio is 24.78:1. The following table summarizes the assessed value-to-lien distribution in the Reassessment District.

CITY OF FOWLER
CONSOLIDATED REASSESSMENT DISTRICT
Assessed Value-to-Lien Distribution

Value-to-Lien Ratio	Number Of Parcels	Percent of Total	Reassessment Lien Amount (1)	Percent of Total
Below 3:1	0	0.00%	$0	0.00%
Between 3:1 and 5:1	4	8.00	104,593.36	7.27
Between 5:1 and 10:1	4	8.00	325,970.58	22.65
Between 10:1 and 15:1	7	14.00	125,392.49	8.71
Greater than 10:1	35	70.00	883,357.50	61.37
Totals	50	100.00%	$1,439,313.93	100.00%

(1) Excludes principal due on September 15, 2010.

See "APPENDIX G - 2000 REASSESSMENT BONDS" for a description of the Reassessment District, the 2000 Reassessment Bonds, and certain risks relating to the 2000 Reassessment Bonds.

2. ***Installment Purchase Agreement dated as of March 1, 1993, between the Authority and the City (the "1993 Merced Street Improvement Obligation").*** For the purpose of financing its 1993 Street Improvement Project (the "Street Project"), the City and the Authority entered into an Installment Purchase Agreement, dated as of March 1, 1993 (the "1993 Installment Purchase Agreement") whereby the Authority agreed to apply a portion of 1993 Bond proceeds to the acquisition and construction of the Street Project and the City agreed to make semi-annual installment payments to the Authority (the "1993 Installment Payments"), payable from the following: (i) all amounts received by the City from the State Controller representing proceeds of certain gas taxes (the "Gas Tax Revenues"), (ii) all amounts received by the City from the local transportation fund for Fresno County and (iii) "Measure C Funds", which consist of funds received by the City from the retail transactions and use tax imposed in Fresno County pursuant to Part 1.6 of Division 2 of the California Revenue and Taxation Code. The Street Project has been completed. See "APPENDIX D - 1993 MERCED STREET IMPROVEMENT OBLIGATION" for a description of the 1993 Installment Purchase Agreement, the City's historic Gas Tax Revenues, and certain risk factors associated with the 1993 Merced Street Improvement Obligation.

3. ***Redevelopment Agency Loan Agreement dated as of April 1, 2000, between the Authority and the Redevelopment Agency (the "Redevelopment Agency Loan Agreement").*** Under the Redevelopment Agency Loan Agreement, the Authority made a loan to the Redevelopment Agency in the amount of $888,000 for the purpose of financing redevelopment activities within or of benefit to the Redevelopment Project, pay costs of issuance on the Bonds and fund a separate reserve fund for the Redevelopment Agency Loan Agreement. Tax Revenues derived from the Fowler Project Area (the "Project Area") are pledged towards repayment of the loan. "Tax Revenues" generally include property tax increment received by the Redevelopment Agency, less amounts required to be deposited in the Redevelopment Agency's Low and Moderate Income Housing Fund and statutory pass-throughs payable to other taxing entities. As additional security, a separate Reserve Account was established for the loan, to be held in trust by the Trustee. See "APPENDIX C – REDEVELOPMENT AGENCY LOAN AGREEMENT" for a discussion of the Redevelopment Agency, the Redevelopment Agency Loan, the Project Area, and certain risks associated with the Redevelopment Agency Loan.

4. ***Loan Agreement dated as of March 29, 1994 (the "1994 Loan Agreement"), between the Authority and the Redevelopment Agency, and a related Lease Agreement, dated as of March 29, 1994 (the "1994 Water Lease Agreement"), between the Redevelopment Agency and the City (collectively, the "1994 Water Obligation").*** In order to refund an existing obligation the proceeds of which were used to finance the construction and installation of improvements to the municipal water system in the City (the "Water Project"), the Redevelopment Agency borrowed the principal amount of $800,000 from the Authority pursuant to the 1994 Loan Agreement and pledged rental payments payable to it by the City (the "Rental Payments") pursuant to the 1994 Water Lease Agreement. In the 1994 Water Lease Agreement, the Redevelopment Agency granted the City the right to operate and maintain the Water Project and the City agreed to make Rental Payments from "Net Revenues", generally consisting of the gross revenues of the City's Water System, less maintenance and operation costs. See "APPENDIX F - 1994 WATER OBLIGATION" for a description of the 1994 Loan Agreement, the 1994 Water Lease Agreement, the City's Water System, and certain risks associated with the 1994 Water Obligation.

5. ***Sublease Agreement, dated as of March 1, 1993, between the Authority and the City, (the "1993 Senior Center Sublease").*** For the purpose of remodeling and improving the Edwin Blayley Senior Center (the "Senior Center"), the City leased and subleased to and from the Authority, pursuant to a Lease Agreement and a Sublease Agreement, respectively, the real property and improvements constituting the Senior Center. Payments due from the City are payable from the general fund of the City, and the City has covenanted in the Sublease Agreement to take such action as may be necessary to include all Rental Payments in each of its annual budgets and to make the necessary annual appropriations for all such Rental Payments and additional rental, as provided in the Sublease Agreement. The projects financed with the 1993 Senior Center Sublease have been completed. See "APPENDIX E - 1993 SENIOR CENTER SUBLEASE AND 1994 PUBLIC IMPROVEMENTS SUBLEASE" for a description of the 1993 Senior Center Sublease, the City's General Fund, and certain risk factors associated with the 1993 Senior Center Sublease.

6. ***Lease/Purchase Agreement, dated as of March 29, 1994, between the Authority and the City (the "1994 Public Improvements Sublease").*** For the purpose of financing the acquisition of the City Hall Annex, improvements to Water Well No. 6 and the expansion of a City sewer line to properties located in the northern City limit, the City leased and subleased to and from the Authority, pursuant to a Lease Agreement and a Sublease Agreement, respectively, the real property and improvements constituting the City Hall Annex, Water Well No. 6 and the expanded sewer line. Payments due from the City are payable from the general fund of the City, and the City has covenanted in the Sublease Agreement to take such action as may be necessary to include all Rental Payments in each of its annual budgets and to make the necessary annual appropriations for all such Rental Payments and additional rental, as provided in the Sublease Agreement. The projects financed with the 1994 Public Improvements Sublease have been completed. See "APPENDIX E - 1993 SENIOR CENTER SUBLEASE AND 1994 PUBLIC IMPROVEMENTS SUBLEASE" for a description of the 1994 Public Improvements Sublease, the City's General Fund, and certain risk factors associated with the 1994 Public Improvements Sublease.

Payment Difficulties on Prior Local Obligations. The City experienced difficulties in the payment of debt service on certain of the local obligations which secured the Original Bonds, prior to the issuance of the Prior Bonds in 2000. See Appendices E, F and G. The refunding of the 1993 Assessment Bonds and 1994 Assessment Bonds with proceeds of the 2000 Reassessment Bonds and the refunding of the Original Bonds with the Prior Bonds were each structured to realign the flow of revenues from the Local Obligations with debt service on the Prior Bonds. **Subsequent to the issuance of the Prior Bonds, the City has made all debt service payments with respect to the Local Obligations.**

Legality. In connection with the delivery of each of the Local Obligations, certain matters were passed upon by nationally recognized bond counsel and by counsel to the Authority. Neither such counsel nor Bond Counsel for the Bonds have passed upon any matters with respect to the Local Obligations arising after the issuance thereof.

Additional Bonds

The Indenture does not permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, without the consent of the Owners of all of the Bonds then Outstanding.

APPLICATION OF BONDS PROCEEDS AND FLOW OF FUNDS

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

Sources

Par amount of Bonds	$ 4,435,000.00
Less Original Issue Discount	(71,566.70)
Funds under 2000 Bond Indenture	606,402.75
TOTAL SOURCES:	$4,969,836.05

Uses

Refunding Escrow	$4,367,311.25
Reserve Fund(1)	443,500.00
Costs of Issuance(2)	159,024.80
TOTAL USES:	$4,969,836.05

(1) Represents a deposit of $354,700 into the Reserve Fund for the Bonds, being the full amount of the Reserve Requirement, and a balance of $88,800 in the reserve account previously established under the Redevelopment Agency Loan Agreement. See “SECURITY FOR THE BONDS – Reserve Fund.”
(2) Includes legal, verification, printing, trustee and other miscellaneous costs of issuance, including underwriter’s discount.

Costs of Issuance Fund

The Indenture establishes a Costs of Issuance Fund that will be held in trust by the Trustee. All moneys deposited in the Costs of Issuance Fund will be used to pay expenses directly or indirectly payable by or reimbursable to the Authority and the City relating to the authorization, issuance, sale and delivery of the Bonds (the “Costs of Issuance”). On January 1, 2011, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Interest Account.

Revenue Fund

All Revenues received by the Trustee will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund; *provided, however*, that Principal Prepayments received by the Trustee will be deposited in the Principal Prepayment Account and applied to the redemption of the Bonds as described herein under the heading "THE BONDS – Redemption – Extraordinary Mandatory Redemption from Redemption Revenues".

On the following dates, the Trustee will transfer from the Revenue Fund and deposit in the following accounts the following amounts in the following order of priority, the requirements of each account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

> Interest Account – on each Interest Payment Date, the amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on the Bonds on such date;
>
> Principal Account – on or before each date on which the principal of the Bonds is payable at maturity or upon the mandatory sinking fund redemption, the amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of the Bonds then coming due and payable at maturity or upon the prior redemption thereof; and
>
> Reserve Fund – on each September 15, the amount, if any, required to cause the amount on deposit in the Reserve Fund to equal the Reserve Requirement.

All amounts remaining on deposit in the Revenue Fund on September 15 in each year, following the transfers required to be made on or before that date under the preceding paragraphs shall be paid to the City to be applied for any lawful purposes of the City.

Interest Account

All amounts in each of the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable. Any amounts on deposit in the Interest Account on any Interest Payment Date and not required to pay interest then due and payable on the Bonds will be retained in the Interest Account.

Principal Account

All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal on the Bonds upon the stated maturity or upon the prior redemption thereof.

Reserve Fund

In the event that the amount on deposit in the Reserve Fund on any Interest Payment Date is less than the Reserve Requirement, the Trustee will deposit in the Reserve Fund an amount required to maintain the Reserve Requirement on deposit in the Reserve Fund. Amounts on deposit in the Reserve Fund will be applied, and the full amount of the Reserve Requirement will be deposited and maintained, as discussed above under the caption "SECURITY FOR THE BONDS – Reserve Fund".

Investment of Bond Proceeds

Money held by the Trustee in any fund or account established under the Indenture will be invested by the Trustee in Permitted Investments. For a definition of Permitted Investments and further details regarding the investment of Bond proceeds, see "APPENDIX A – SUMMARY OF INDENTURE - Investment of Funds." All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund; *provided, however,* that all interest or gain from the investment of amounts in the Reserve Fund will be retained therein to the extent required to cause the balance in the Reserve Fund to equal the Reserve Requirement.

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DEBT SERVICE SCHEDULES AND COVERAGE

Debt Service on the Local Obligations

The following table shows the semi-annual payments due on each Local Obligation, and the aggregate Local Obligation debt service.

TABLE 1
FOWLER PUBLIC FINANCING AUTHORITY
DEBT SERVICE ON LOCAL OBLIGATIONS

Date	2000 Assess. 1993-R	2000 Assess. 1994-R	Merced Street Improv.	2000 RDA Loan	Water Oblig.	1993 Sr. Ctr Sublease	1994 Public Improv. Sublease	Total Semi-Ann Revenue	Total Annual Revenue
9/15/10	$16,582	$104,296	$68,705	$59,600	$33,938	$10,788	$28,735	$322,644	$322,644
3/15/11	7,798	49,379	32,340	33,350	8,250	5,593	2,848	139,558	
9/15/11	18,345	106,413	72,340	60,350	33,250	10,593	27,848	329,139	468,697
3/15/12	7,363	47,141	30,770	32,000	7,563	5,396	1,960	132,193	
9/15/12	15,022	112,554	70,770	62,000	32,563	10,396	26,960	330,265	462,458
3/15/13	7,047	44,573	29,200	30,500	6,875	5,200	1,072	123,395	
9/15/13	14,706	114,177	74,200	63,500	31,875	10,200	31,073	308,658	464,198
3/15/14	6,731	41,841	27,400	28,850	6,188	5,000	--	116,010	
9/15/14	16,502	115,635	77,400	64,850	31,188	10,000	--	315,575	431,585
3/15/15	6,328	38,945	25,400	27,050	5,500	4,800	--	108,023	
9/15/15	18,210	116,119	75,400	67,050	30,500	14,800	--	322,079	430,102
3/15/16	5,837	35,916	23,400	25,050	4,813	4,400	--	99,416	
9/15/16	17,720	121,471	78,400	69,050	29,813	14,400	--	330,854	430,270
3/15/17	5,347	32,557	21,200	22,850	4,125	4,000	--	90,079	
9/15/17	19,341	126,493	81,200	70,850	29,125	14,000	--	341,009	431,088
3/15/18	4,770	28,871	18,800	20,450	3,438	3,600	--	79,929	
9/15/18	18,764	131,187	83,800	73,450	28,438	18,600	--	354,239	434,168
3/15/19	4,193	24,855	16,200	17,800	2,750	3,000	--	68,798	
9/15/19	20,298	135,551	86,200	75,800	22,750	18,000	--	358,599	427,397
3/15/20	3,528	20,510	13,400	14,900	2,200	2,400	--	56,938	
9/15/20	21,746	134,587	88,400	78,900	22,200	17,400	--	363,233	420,171
3/15/21	2,777	16,032	10,400	11,700	1,650	1,800	--	44,359	
9/15/21	23,106	142,680	90,400	82,700	21,650	16,800	--	377,336	421,695
3/15/22	1,938	11,061	7,200	8,150	1,100	1,200	--	30,649	
9/15/22	22,267	150,280	97,200	86,150	21,100	16,200	--	393,197	423,846
3/15/23	1,100	5,597	3,600	4,250	550	600	--	15,697	
9/15/23	27,763	148,196	93,600	89,250	20,550	15,600	--	394,959	410,656
TOTALS:	$335,129	$2,156,917	$1,397,325	$1,280,400	$443,942	$244,766	$120,495	$5,978,969	$5,978,969

Projected Debt Service Coverage on the Bonds

The following table shows the anticipated debt service due on the Bonds as compared to the expected Revenues from the local obligations and reserve fund earnings, without regard to any redemption of the Local Obligations or the Bonds.

TABLE 2
FOWLER PUBLIC FINANCING AUTHORITY
2010 Refunding Revenue Bonds
Estimated Coverage of Revenues to Debt Service

	LOCAL OBLIGATIONS		REVENUE BONDS				CASH FLOW	
Date	**Periodic Debt Service**	**Annual Debt Service**	**Periodic Debt Service**	**Less: RF Earnings and Corpus**	**Net Periodic Debt Service**	**Net Annual Debt Service**	**Periodic Difference**	**Annual Difference**
3/15/11	$139,556.76		$95,881.00	$(5,759.34)	$ 90,121.66		$49,435.10	
9/15/11	329,138.07	$468,694.84	382,291.88	(5,543.75)	376,748.13	466,869.79	(47,610.05)	1,825.05
3/15/12	132,191.85		89,391.88	(5,543.75)	83,848.13		48,343.73	
9/15/12	330,265.16	462,457.01	379,391.88	(5,543.75)	373,848.13	457,696.25	(43,582.96)	4,760.76
3/15/13	124,467.15		86,129.38	(5,543.75)	80,585.63		43,881.53	
9/15/13	339,730.68	464,197.84	386,129.38	(5,543.75)	380,585.63	461,171.25	(40,854.94)	3,026.59
3/15/14	116,009.24		82,004.38	(5,543.75)	76,460.63		39,548.62	
9/15/14	315,574.55	431,583.80	357,004.38	(5,543.75)	351,460.63	427,921.25	(35,886.07)	3,662.55
3/15/15	108,022.26		77,535.63	(5,543.75)	71,991.88		36,030.39	
9/15/15	322,079.57	430,101.83	357,535.63	(5,543.75)	351,991.88	423,983.75	(29,912.30)	6,118.08
3/15/16	99,415.50		72,635.63	(5,543.75)	67,091.88		32,323.62	
9/15/16	330,853.25	430,268.75	367,635.63	(5,543.75)	362,091.88	429,183.75	(31,238.63)	1,085.00
3/15/17	90,079.80		66,182.50	(5,543.75)	60,638.75		29,441.05	
9/15/17	341,009.55	431,089.35	366,182.50	(5,543.75)	360,638.75	421,277.50	(19,629.20)	9,811.85
3/15/18	79,928.07		59,620.00	(5,543.75)	54,076.25		25,851.82	
9/15/18	354,238.25	434,166.32	379,620.00	(5,543.75)	374,076.25	428,152.50	(19,838.00)	6,013.82
3/15/19	68,797.41		52,420.00	(5,543.75)	46,876.25		21,921.16	
9/15/19	358,599.60	427,397.00	382,420.00	(5,543.75)	376,876.25	423,752.50	(18,276.65)	3,644.50
3/15/20	56,938.21		44,582.50	(5,543.75)	39,038.75		17,899.46	
9/15/20	363,232.39	420,170.60	384,582.50	(5,543.75)	379,038.75	418,077.50	(15,806.36)	2,093.10
3/15/21	44,359.23		36,082.50	(5,543.75)	30,538.75		13,820.48	
9/15/21	377,335.64	421,694.87	391,082.50	(5,543.75)	385,538.75	416,077.50	(8,203.11)	5,617.37
3/15/22	30,649.75		27,030.00	(5,543.75)	21,486.25		9,163.50	
9/15/22	393,196.81	423,846.56	402,030.00	(5,543.75)	396,486.25	417,972.50	(3,289.44)	5,874.06
3/15/23	15,696.87		17,467.50	(5,543.75)	11,923.75		3,773.12	
9/15/23	394,959.06	410,655.93	702,467.50	(449,043.75)	253,423.75	265,347.50	141,535.31	145,308.43
Totals	**$5,656,324.69**	**$5,656,324.69**	**$6,045,336.63**	**$(587,853.09)**	**$5,457,483.54**	**$5,457,483.54**	**$198,841.15**	**$198,841.15**

SPECIAL RISK FACTORS

This Special Risk Factors section of the Official Statement does not summarize the Official Statement. Rather it supplements other sections in order to highlight certain risks of the investment. The listing and discussion of risks is neither comprehensive nor definitive.

For discussions of some of the risks associated with the Local Obligations, see each of the six sections entitled "Risk Factors" in each of Appendices C through G, corresponding to each Local Obligation.

Depletion of Reserve Fund

Whenever the Revenues received from payments of debt service on the Local Obligations are insufficient to pay the next maturing installment of principal and interest on the Bonds, the amounts necessary to make up the deficiency, to the extent available, will be transferred from the Reserve Fund to the Interest Account or the Principal Account, as the case may be. Amounts so transferred will be reimbursed to the Reserve Fund from any payments subsequently received with respect to the delinquency on the Local Obligations.

The Reserve Fund may be invested, and, to the extent that investment earnings will not result in the interest on the Bonds becoming subject to federal income taxation, the investment earnings may be deposited in the Reserve Fund, thereby increasing the balance up to the required balance, if necessary. Nevertheless, there is no assurance that the amount in the Reserve Fund will, at any particular time, be sufficient to pay debt service on the Bonds nor that the Reserve Fund will be fully reimbursed for any amounts expended for debt service. To the extent amounts are withdrawn from the Reserve Fund to pay debt service on the Bonds, such withdrawal will cause a reduction in the amount of investment earnings thereafter received on the Reserve Fund which will adversely affect the Authority's ability to continue to pay debt service on the Bonds.

Risk of Early Prepayment

As discussed above under "DEBT SERVICE SCHEDULES", the debt service payments on the Local Obligations, if paid in full when due, together with the earnings on the investment of the Reserve Fund, will provide sufficient Revenues to pay debt service on the Bonds when due. This situation results in part from the fact that the interest rates on certain Local Obligations are higher than the interest rates on the Bonds, which offsets the fact that the aggregate principal amount of the Local Obligations is less than the aggregate principal amount of the Bonds. A risk exists, therefore, that Revenue shortfalls could occur in the event that certain of the Local Obligations are prepaid or redeemed prior to maturity.

With respect to all of the Local Obligations other than the 2000 Reassessment Bonds, the Authority does not expect a Revenue shortfall to occur in the event such Local Obligations are redeemed, due to the fact that the redemption price of such Local Obligations includes a redemption premium which is designed to compensate for the Revenue loss which would otherwise result from such redemption.

However, such considerations do not fully apply to the 2000 Reassessment Bonds, due to statutory restrictions on the principal amount of such Local Obligations, the amount of redemption premium which is required to be paid on such Local Obligations, and the fact that the property owners have the right to prepay their underlying reassessments at any time. In the event that the 2000 Reassessment Bonds are redeemed at one time prior to maturity, due to an exercise of the property owners' rights to prepay their underlying reassessments, the gross amount of Revenues received by the Trustee could be reduced below the levels required to pay debt service on the Bonds on succeeding Interest Payment Dates. Neither the Authority nor the City can make any prediction concerning the timing or amount of prepayment of the reassessments by the property owners.

Loss of Tax Exemption

As discussed in the section herein entitled "TAX MATTERS", interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of issuance, as a result of acts or omissions of the City subsequent to issuance in violation of the City's covenants applicable to the Local Obligations. Should interest become includable in gross income, the Bonds are not subject to redemption by reason thereof and may remain outstanding. The Bonds are subject to redemption for other reasons as discussed in the section herein entitled "THE BONDS – Redemption."

No Acceleration Provision

The Local Obligations do not contain a provision allowing for the acceleration of the Local Obligations in the event of a payment default or other default under the terms of the Local Obligations or the Local Obligation Resolution.

No Liability of the Authority

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the owners of the Bonds with respect to the payment when due of the debt service on the Local Obligations by the City or the Agency, as the case may be, or with respect to the observance or performance by the City or the Agency of other agreements, conditions, covenants and terms required to be observed or performed by the City or the Agency, with respect to the performance by the Trustee of any obligation required to be performed by it under the Indenture.

Bonds Not Rated

The Authority did not independently apply for a rating for the Bonds. The Bonds are unrated. The lack of a rating may adversely affect the presence of a secondary market for the Bonds.

Seismic Factors

The City, like most regions in the State of California, is located in an area of seismic activity from movements along the active fault zones and, therefore, could be subject to potentially destructive earthquakes. The occurrence of severe seismic activity in the City could result in substantial damage to property located in the City, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of moneys available to pay the Local Obligations.

Risk of Floods

Certain areas within the City lie in a 100-year to 500-year flood zones. According to the City, such property is subject to minimal flooding with average depths of less than one foot. The occurrence of severe floods could cause damage to property and could have a negative impact on taxpayer's ability to pay property taxes and on the financial stability of the City or the Agency.

Impact of State Budget

The State of California is likely to continue to face significant budget issues for the foreseeable future. In connection with its approval of former budgets, the State Legislature enacted legislation that has a direct impact on the financial situation of cities and counties in the State.

The Budget Process. Through the State budget process, the State can enact legislation that significantly impacts the source, amount and timing of the receipt of revenues by local agencies, including the City and the Agency. As in recent years, State budget deficits can result in legislation that adversely impacts local agency budgets.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City or the Agency and is not incorporated herein by reference.

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

2008-09 State Budget. On September 23, 2008, the Governor signed the 2008-09 State Budget into law (the "**2008-09 Budget**"). The 2008-09 Budget resolved the $24.3 billion budget deficit identified in the May (2008) revision to the Governor's Proposed Budget. The 2008-09 Budget, as adopted, projected revenues of $103.027 billion in fiscal year 2007-08 and $101.991 billion in fiscal year 2008-09 (representing an increase of $1.837 billion from fiscal year 2006-07 to fiscal year 2007-08 and a decrease of $996 million from fiscal year 2007-08 to fiscal year 2008-09, compared with the May Revision), provided a modest reserve of $1.7 billion, but projected a deficit of $1.0 billion in fiscal year 2009-10.

Special Session - Revisions to 2008-09 Budget; 2009-10 Adopted State Budget. Through a series of legislative actions that occurred from November 5, 2008 through February 20, 2009, the State legislature and the Governor enacted a budget package addressing the 2008-09 Budget deficit, and adopting a budget for fiscal year 2009-10.

On March 13, 2009, the LAO updated its revenue forecast and projected that revenues would fall short of the assumptions in the 2009-10 Budget by $8 billion and noting that a number of the adopted solutions—revenue increases and spending reductions—are of a short-term duration. Thus, without corrective actions, the State's huge operating shortfalls will reappear in future years—growing from $12.6 billion in 2010–11 to $26 billion in 2013-14.

On May 7, 2009, the LAO reported that, as a result of the budget and cash pressures of previous months, the General Fund's "cash cushion"—the monies available to pay State bills at any given time—was projected to end fiscal year 2008-09 at a much lower level than normal. Without additional legislative measures to address the State's fiscal difficulties or unprecedented amounts of borrowing from the short-term credit markets, the State would not be able to pay many of its bills on time for much of fiscal year 2009-10.

May 14, 2009 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. On May 14, 2009, the Governor released the May Revision, which included two alternative proposals to revise the State budget to address the State's increasing deficit. The specific proposal to be considered depended, in part, on the result of certain statewide ballot measures decided by the voters on a May 19, 2009 special election ballot.

Because State voters rejected the three propositions on the special election ballot that would have helped balance the State's budget, the Governor estimated a budget shortfall of $21 billion in 2009-10.

Governor Declares Fiscal Emergency. The Governor announced on July 1, 2009 that the budget deficit had grown to $26.3 billion due to the failure of State lawmakers to adopt immediate education cuts and money-shifting plans by the June 30 fiscal year end. He declared a fiscal emergency and ordered a Proposition 58 special session of the Legislature to solve the

State's deficit. To address the State's cash crisis, on July 2 the State began issuing registered warrants, or IOUs, to several classes of creditors, including certain local governments.

2009-10 State Budget Amendments; Proposition 1A Borrowing. On July 24, 2009, the California legislature approved amendments to the 2009-10 Budget involving 30 separate pieces of legislation to close the $26.3 billion shortfall. The Governor signed the budget plan on July 28, 2009. Total general fund spending in fiscal year 2009-10 will be more than $84 billion, down from nearly $91.7 billion in fiscal year 2008-09 and nearly $103 billion in fiscal year 2007-08. The budget amendments combine deep spending cuts, borrowing from local governments and accounting maneuvers.

The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in the 2009-10, including (among many others) approximately $2 billion borrowed from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), but the State must repay the borrowing with interest within three years.

The accounting shifts rely on the assumption that an economic recovery will be well underway in the next fiscal year, but a significant budget shortfall may still exist next year. Additionally, borrowing revenues from local governments is likely to result in litigation.

2010-11 Governor's Proposed Budget. The Governor submitted his proposed 2010-11 Budget (the "**2010-11 Proposed Budget**") to the State Legislature on January 8, 2010. The 2010-11 Proposed Budget assumes that, without corrective action, the State will face a deficit of $19.9 billion, comprised of a shortfall of $6.6 billion from the 2009-10 fiscal year, a 2010-11 shortfall of $12.3 billion and a proposed reserve of $1 billion. The 2010-11 Proposed Budget proposes initial spending reductions of $8.5 billion. Proposed reductions include program eliminations, further reductions to various health and human services programs, a $2.4 billion reduction to the anticipated level of funding for Proposition 98 (over a two-year period), substantial changes to employee compensation, and reductions to the Department of Corrections and Rehabilitation. In addition, the 2010-11 Proposed Budget relies on $6.9 billion in additional federal funding and proposes an additional $4.6 billion in spending reductions if the federal funding is not received. The 2010-11 Proposed Budget also includes $2.4 billion in increased revenues and requires external borrowing to meet cash needs during the fiscal year.

The Governor has called the Legislature to a special session to adopt $8.9 billion of the proposed $19.9 billion in budget solutions and to put measures on the June 2010 ballot to facilitate $1 billion in general fund budget relief from Proposition 10 early childhood development funds and Proposition 63 mental health funds.

LAO Report. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a $18.9 billion budget problem is reasonable but is a $3.1 billion smaller shortfall than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relies heavily on federal relief, which the state is unlikely to receive in the amounts requested. The Legislature needs to assume that the federal relief will total billions less than the Governor budgets for and will need to make difficult decisions regarding both revenues and spending and needs to make many key decisions by the end of March in order to implement them for the next fiscal year.

2010-11 Special Session. On March 11, 2010, the California Legislature adjourned the special session called by the Governor. The Legislature adopted a package of bills that the Legislature said would reduce the deficit by more than $4 billion. Since then, the Governor vetoed two bills that contained a majority of the deficit reductions.

May Revision. The Governor's May Revision estimates a general fund budget gap of $19.1 billion, $7.7 billion for the 2009-10 fiscal year and $10.2 billion for the 2010-11 fiscal year, and a modest reserve of $1.2 billion. The May Revision proposes $12.4 billion in spending reductions and alternative funding solutions. Additionally, the May Revision proposes borrowing and fund shifts and relies on new revenues to further bridge the deficit gap. Major spending reduction proposals include reductions of $4.3 billion of Proposition 98 spending, including the elimination of need-based, subsidized childcare, reductions of $2.1 billion by reducing state employees pay and staffing and shifting pension costs to employees, and the elimination of the CalWORKs program, which provides cash grants and welfare-to-work services, representing $1.2 billion in savings.

LAO Report on May Revision. On May 18, 2010, the LAO stated that the Governor's estimate of the budget shortfall in the May Revision is reasonable. However, the LAO Report advises the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urges the Legislature to suspend Proposition 98 if the minimum guarantee is above the level that the state can afford. The LAO predicts that even if the Legislature approves all of the painful cuts and realizes the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between $4 billion and $7 billion is likely to persist in future years.

Future State Budgets*.* The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City or the Agency, the City and the Agency will be required to make adjustments to their respective budgets. Decrease in such revenues may have an adverse impact on the availability of funds to make payments on the Local Obligations.

Proposition 218

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including the approval of Proposition 218 in the general election held on November 5, 1996.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City and the Agency. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Local Obligations and the Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Reassessments, and Charges—Initiative Constitutional Amendment, added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including assessment districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIIIA of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to the California Constitution, and (iii) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such new provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such reassessments, fees and charges.

Proposition 218 also provides that the constitutional initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local taxes, assessments, fees and charges. This provision with respect to the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts.

The City and the Agency do not believe Proposition 218 will limit their ability to collect and make debt service payments on the Local Obligations and the Bonds. Specifically, with respect to the Reassessments, the issuance of the 2000 Reassessment Bonds does not require the conduct of further proceedings under the Reassessment Act or Proposition 218 because Senate Bill 919 (effective July 1, 1997) amended the Reassessment Act to provide: "Any reassessment that is approved and confirmed pursuant to [the Reassessment Act] shall not be deemed to be an assessment within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIIID of the California Constitution." In addition, the tax revenues securing the Redevelopment Agency Loan Agreement and the gas tax revenues securing a portion of the Merced Street Obligation are derived from taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218. With respect to the Sublease Agreement secured by the Net Revenues of the City's water system, the City has concluded that Proposition 218 does not apply to its water charges because the service charges are not imposed upon a parcel of land as an "incident of ownership" but rather are commodity-based charges based upon the user's consumption. And lastly, with respect to the Sublease Agreements which are secured by the City's general fund, although a portion of the City's general fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes (or increases thereof) were either adopted prior to the effective dates of such propositions or were approved (or ratified) by majority vote of the electorate.

Like its antecedents, Proposition 218 is likely to undergo both judicial and legislative scrutiny before its impact on the City and its obligations can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law. The City is not able to predict the outcome of any such examination.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Local Obligations and the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the City's or the Agency's revenues and therefore a reduction of the funds legally available to pay certain of the Local Obligations.

THE AUTHORITY

The Fowler Public Financing Authority is a joint exercise of powers authority formed by its members, the City and the Fowler Redevelopment Agency. The Authority was established pursuant to that certain Joint Exercise of Powers Agreement dated September 24, 1991, by and between the City and the Redevelopment Agency, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, the City, and/or to refinance outstanding obligations of the City.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; *provided, however*, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings and the Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "Tax Code") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of Premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and as to the validity of the Bonds. Copies of such approving opinion will be available at the time of delivery of the Bonds and will be printed on the Bonds. See Appendix I for the proposed form of such opinion. The fees being paid to Bond Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted, for the benefit of the holders and beneficial owners of the Bonds, to provide certain financial information and operating data relating to itself, the Redevelopment Agency and the Reassessment District (the "Annual Report"). The Annual Report shall be delivered not later than March 31 of each year, commencing March 31, 2011 with respect to the 2009-10 fiscal year. The City has also covenanted to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in APPENDIX H. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

As of the date hereof, the City has not failed in the past five years to comply in all material respects with any previous undertakings with regard to the provision of annual reports or notices of material events as required by the Rule.

ABSENCE OF LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceeding of the Authority or the City taken with respect to any of the foregoing.

UNDERWRITING

The Bonds are being purchased by Brandis Tallman, LLC (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of $4,285,820.80, being the par amount of the Bonds less original issue discount of $71,566.70 and an Underwriter's discount of $77,612.50. The Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriter. The fees being paid to the Underwriter are contingent upon the execution and delivery of the Bonds.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which 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.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority and the purchasers or Owners of any of the Bonds.

FOWLER PUBLIC FINANCING AUTHORITY

By: /s/ Dave Elias
Executive Director

Approved:

CITY OF FOWLER

By: /s/ Dave Elias
City Manager

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APPENDIX A

SUMMARY OF INDENTURE

The following is a brief summary of the provisions of the Indenture of Trust relating to the Bonds. Such summary is not intended to be definitive, and reference is made to the complete Indenture of Trust for the definitive terms thereof.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary of the Indenture:

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Year" means each twelve-month period extending from September 16 in one calendar year to September 15 of the succeeding calendar year, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on September 15, 2012.

"Business Day" means a day of the year, other than a Saturday or Sunday, on which banks are not closed in the city in which the Trust Office of the Trustee is located.

"Certificate of the Authority" means a certificate in writing signed by the Chairman, Vice Chairman, Secretary, Treasurer or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Secretary and filed with the Trustee.

"Closing Date" means the date of original delivery of the Bonds to the original purchaser thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the 2000 Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, the 2000 Bond Trustee and their respective counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the 2000 Bonds.

"Excess Investment Earnings" means the amount of excess investment earnings determined to be subject to rebate to the United States of America with respect to the investment of the gross proceeds of the Bonds, determined under Section 148(f) of the Tax Code.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Independent Financial Consultant" means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom: (a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects; (b) is in fact independent and not under the domination of the Authority; (c) does not have any substantial interest, direct or indirect, with the Authority, other than as Original Purchaser; and (d) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make reports to the Authority.

"Local Obligations" means, collectively, all of the following, in each case with all duly authorized and executed amendments and supplements thereto:

(a) the Reassessment Bonds;

(b) that certain Sublease Agreement dated as of March 1, 1993, between the Authority and the City, relating to the 1993 Hospital Improvement Project;

(c) that certain Installment Purchase Agreement dated as of March 1, 1993, between the Authority and the City, relating to the Merced Street Improvement Project;

(d) that certain Lease/Purchase Agreement dated as of March 29, 1994, between the Authority and the City, relating to the City Hall Expansion Project, the Water Well No. 6 Improvement Project and the Sewer Line Expansion Project;

(e) that certain Loan Agreement dated as of March 29, 1994, between the Authority and the Agency, and related Lease Agreement dated as of March 29, 1994, between the Agency and the City, relating to the Farmer's Home Loan Refinancing Project; and

(f) that certain Loan Agreement dated as of April 1, 2000, between the Authority and the Agency, in the aggregate principal amount of $888,000.

"Owner", when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Investments” means any of the following:

(a) Federal Securities.

(b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.

(c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.

(d) Commercial paper rated “A-1+” or better by S&P.

(e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.

(f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.

(g) Obligations the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).

(h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of $500,000,000, which obligations are rated A or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated A or better by S&P.

(j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.

(k) The Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Reassessment Bonds" means the City of Fowler 2000 Reassessment Bonds, Series 1993-R and Series 1994-R, issued by the City in the aggregate principal amounts of $318,606.26 and $1,948,211.33 respectively.

"Redemption Revenues" means any amount which constitutes principal of and premium, if any, on the Local Obligations which is received by the Trustee upon the redemption of the Local Obligations; but excluding (a) the portion of such amount, if any, constituting a regularly scheduled payment of principal of the Local Obligations and (b) any amount which represents interest on the Local Obligations.

"Refunding Instructions" means the Irrevocable Refunding Instructions, dated the Closing Date, given by the Authority to the 2000 Bond Trustee, relating to the refunding and discharge of the 2000 Bonds.

"Request of the Authority" means a request in writing signed by the Chairman, Secretary, Treasurer or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Secretary and filed with the Trustee.

"Reserve Requirement" means, as of any date of calculation, the lesser of (a) the amount of $354,700.00, or (b) the maximum amount of principal of and interest on the Bonds coming due and payable on the Bonds in the current or any future Bond Year.

"Revenues" means (a) all amounts derived from or with respect to the Local Obligations, including but not limited to all Redemption Revenues and all other payments of principal thereof and interest thereon, and (b) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture.

"Tax Code" means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Tax Code shall include the applicable temporary and permanent regulations promulgated under or with respect to Section 103 and Sections 141 through 150, inclusive, of the Tax Code.

"Trust Office" means the corporate trust office of the Trustee in Los Angeles, California, set forth in Section 9.12, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture.

"Trustee" means Union Bank, N.A., and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI.

"2000 Bond Indenture" means the Indenture of Trust dated as of April 1, 2000, between the Authority and the 2000 Bond Trustee, authorizing the issuance of the 2000 Bonds.

"2000 Bond Trustee" means Union Bank, N.A., as successor to Union Bank of California, N.A., in its capacity as trustee for the 200 Bonds.

"2000 Bonds" means the Fowler Public Financing Authority 2000 Revenue Bonds, issued in the aggregate original principal amount of $6,175,000 and authorized by the 2000 Bond Indenture.

Establishment of Funds and Accounts; Flow of Funds

Application of Proceeds of Bonds. Of the proceeds of the Bonds received by the Trustee on the Closing Date, the Trustee will deposit a portion thereof in the Costs of Issuance Fund in an amount sufficient to pay the estimate Costs of Issuance, and in the Reserve Account in an amount equal to the Reserve Requirement. The Trustee will transfer the remainder of such proceeds to the 2000 Bond Trustee to be deposited in the Escrow Fund which is established under the Refunding Instructions, to be applied to refund and discharge the 2000 Bonds.

Costs of Issuance Fund. The proceeds deposited in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Request of the Authority stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund; in each case together with a statement or invoice for each amount requested thereunder. On January 1, 2011, the Trustee shall withdraw all amounts remaining in the Costs of Issuance Fund and transfer such amounts to the Interest Account and the Costs of Issuance Fund shall be closed.

Deposit of Revenues; Establishment and Administration of Revenue Fund. The Trustee will deposit all Revenues upon receipt thereof in a special fund designated as the "Revenue Fund"; *provided, however*, that the Trustee shall deposit all Redemption Revenues into the Redemption Account upon receipt by the Trustee, to be applied to redeem the Bonds as described in this Official Statement.

The Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts at the following times in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(i) ***Interest Account***. On or before each date on which the interest on the Bonds is payable, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on such date on all outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest next coming due and payable upon all outstanding Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it comes due and payable (including accrued interest on any Bonds redeemed prior to maturity).

(ii) ***Principal Account***. On or before each date on which the principal of the Bonds is payable at maturity or upon the mandatory sinking fund redemption thereof, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal coming due and payable on such date on the Bonds and the aggregate principal amount of the Term Bonds which are subject to mandatory sinking fund redemption on such date. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity thereof or upon the mandatory sinking fund redemption thereof.

(iii) ***Reserve Account***. The Trustee will deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

All amounts remaining on deposit in the Revenue Fund on September 15 in each year, following the transfers required to be made on or before that date under the preceding provisions will be paid to the City to be applied for any lawful purposes of the City.

Application of Reserve Account. The Authority shall cause to be maintained in the Reserve Account an amount equal to the Reserve Requirement at all times while any of the Bonds remain Outstanding. In the event the amount on deposit in the Reserve Account at any time falls below the Reserve Requirement, the Trustee shall notify the Authority of such fact in writing, and the Authority shall restore the balance therein to the full amount of the Reserve Requirement from any source of legally available funds.

All amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying principal of or interest on the Bonds when due and payable, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption, to the extent that moneys deposited in the Interest Account or the Principal Account are not sufficient for such purpose, and (ii) making the final payments of principal of and interest on the Bonds. If the amounts on deposit in the Reserve Account are insufficient at any time to pay the full amount of principal of and interest on the Bonds then required to be paid from the Reserve Account, including the principal amount of any Term Bonds which are subject to mandatory sinking fund redemption, the Trustee will apply such amounts first, to the payment of interest and second, to the payment of principal (including principal payable upon mandatory sinking fund redemption).

If at any time the amounts on deposit in the Reserve Account are sufficient to enable the Authority to pay or redeem all of the outstanding Bonds and the interest thereon, the Trustee shall apply the amounts in the Reserve Account for that purpose at the Request of the Authority. On the date on which all Bonds are retired or defeased, all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the City as a refund of overpaid Lease Payments.

If the amount held in the Reserve Account on February 15 or August 15 in any year is excess of the Reserve Requirement, the Trustee shall transfer such amount to the Interest Account to be applied to pay interest next coming due on the Bonds.

Certain Covenants

Payment of Bonds. The Authority agrees to punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues, the Local Obligations and all funds and accounts established under the Indenture. Such books of record and account shall be available for inspection by the Authority during regular business hours with reasonable prior notice.

No Additional Debt. Except for the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Covenants With Respect to Local Obligations.

Disposition of Local Obligations. The Trustee will not sell or otherwise dispose of the Local Obligations, or any interest therein, unless the proceeds derived by the Trustee from such sale or other disposition are sufficient to enable the Trustee to redeem or defease all of the outstanding Bonds. Upon the discharge of all of the Bonds under the Indenture, the Trustee shall thereupon convey all of its right, title and interest in and to the Local Obligations to Authority or to such other entity as the Authority directs in writing to the Trustee.

No Amendment of Local Obligations. Neither the Trustee nor the Authority will consent or agree to consent to any amendment or modification of the Local Obligations, unless there has been filed with the Trustee and the Authority an opinion of Bond Counsel stating that such amendment or modification will not materially adversely affect the interests of the Bond Owners or the exclusion from gross income of interest on the Bonds.

Collection of Revenues. The Trustee will collect and cause to be paid to it all Revenues promptly as such Revenues become due and payable, and, subject to the provisions of the Indenture, shall enforce and cause to be enforced all rights of the Trustee under and with respect to the Local Obligations.

Notification of Default. Upon receiving actual knowledge of either (i) the failure by the City or the Agency to pay when due any installment of principal of or interest or premium (if any) on the Local Obligations, or (ii) the occurrence of any other event of default under the documentation authorizing the issuance of any Local Obligations, the Trustee will promptly notify the Authority of such failure or event of default by telephone, fax or other form of telecommunication, promptly confirmed in writing.

Exercise of Remedies With Respect to Local Obligations. Upon the occurrence of an event of default with respect to the Local Obligations, the Trustee may, and if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, subject to the provisions of the Indenture, exercise any and all remedies granted to the Trustee as registered owner of the Local Obligations.

Tax Covenants. The Authority will not take, nor permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of the Tax Code. The Authority agrees to comply with all applicable provisions of the Tax Code relating to the rebate of excess investment earnings on the proceeds of the Bonds to the United States of America.

Amendment of Indenture

The Indenture may be modified or amended at any time by a supplemental indenture with the written consents of the Owners of a majority in aggregate principal amount of the Bonds then outstanding. No such modification or amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Indenture.

The Indenture may also be modified or amended at any time by a supplemental indenture, without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority;

(b) to cure any ambiguity, inconsistency or omission, or correct any defective provision, contained in the Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the security of the Bond Owners in the opinion of Bond Counsel filed with the Authority and the Trustee;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(d) to amend any provision relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the Tax Code, in the opinion of Bond Counsel filed with the Authority and the Trustee.

Events of Default; Remedies

Events of Default Defined. The following events constitute events of default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when due, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when due.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee; *provided, however,* that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if corrective action is instituted by the Authority within such 30-day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

(e) The occurrence of any event of default with respect to the Local Obligations.

Remedies Upon Event of Default. In each and every such case during the occurrence and continuation of an Event of Default, the Trustee may, and if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then outstanding the Trustee shall, exercise any and all remedies available under law for the equal benefit and protection of all Bond Owners similarly situated.

In addition to whatever remedies the Trustee may have as a result of the occurrence of an Event of Default, the Trustee may enforce any and all remedies granted to it as the owner of the issue of Local Obligations under the documents authorizing the issuance of the Local Obligations. The Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on the Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture.

If an Event of Default has occurred and is continuing and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred on it under the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Bond Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

<u>Application of Revenues and Other Funds After Default</u>. All amounts received by the Trustee under any right given or action taken by the Trustee under the provisions of the Indenture will be applied by the Trustee in the following order:

First, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law;

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts; and

<u>Power of Trustee to Control Proceedings</u>. If the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, whether

upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the outstanding Bonds opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds has the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

<u>Limitation on Bond Owners' Right to Sue</u>. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless:

(a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;

(b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted under the indenture or to institute such action, suit or proceeding in its own name;

(c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request have been received by, and said tender of indemnity have been made to, the Trustee; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Discharge of Indenture

The Authority may pay and discharge the indebtedness on any or all of the outstanding Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, and the interest and premium (if any) on, such Bonds when due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee under the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and premiums (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, non-callable Federal Securities or Permitted Investments described in clause (b) of the definition thereof in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee under the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

Upon such payment, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other obligations of the Authority under the Indenture with respect to such Bonds, will cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose.

APPENDIX B

GENERAL INFORMATION ABOUT THE CITY OF FOWLER AND FRESNO COUNTY

The following information concerning the City of Fowler and Fresno County is included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

The City of Fowler is located 11 miles southeast of downtown Fresno in Fresno County in the heart of California's San Joaquin Valley. It is predominantly an agriculturally based economy and is an ideal place for new businesses due to its prime central location, proximity to Southern Pacific railroad, major highways and business routes such as Highway 99, Golden State Boulevard, and Manning Avenue.

Population

The most recent estimate of the County's population at January 1, 2010 was 953,761 according to the State Department of Finance. The City of Fowler's population at January 1, 2010 was 5,764. The table below shows population estimates for the cities in the County of Fresno for the last five years.

COUNTY OF FRESNO
Population Estimates

	2006	2007	2008	2009	2010
Clovis	89,440	91,382	93,759	94,993	96,868
Coalinga	17,242	17,978	19,025	19,093	19,065
Firebaugh	6,693	6,644	6,793	6,799	6,941
Fowler	**4,843**	**5,255**	**5,557**	**5,664**	**5,764**
Fresno	470,201	477,813	484,804	495,231	502,303
Huron	7,323	7,441	7,530	7,824	8,082
Kerman	12,600	13,179	13,520	14,044	14,381
Kingsburg	11,216	11,156	11,223	11,413	11,504
Mendota	8,752	9,359	9,756	9,859	9,966
Orange Cove	9,613	10,470	10,740	10,916	11,049
Parlier	12,858	12,985	13,285	13,536	13,658
Reedley	23,281	24,737	25,510	25,687	26,227
Sanger	23,256	24,734	25,323	25,379	25,664
San Joaquin	3,736	3,841	4,048	4,052	4,071
Selma	22,868	23,029	23,211	23,267	23,435
Balance Of County	173,051	172,173	172,971	173,249	174,783
County Total	896,973	912,176	927,055	941,006	953,761

Source: State Department of Finance, Demographic Research.

Municipal Governance

The City of Fowler is a general law city, incorporated in 1908, organized under and subject to statutes of the State of California. It is governed by a five-member City Council with the mayor as the presiding officer. Members of the City Council are elected at large for four-year terms on an overlapping basis. The mayor and mayor pro-tem are selected by the City Council.

Current City Council members are:

Member	Position	Term Expires
Jim Simonian	Mayor	11/30/2010
David Cardenas	Mayor Pro-Tem	11/30/2010
Daniel T. Parra	Member	11/30/2012
Rico Aguayo	Member	11/30/2012
Rick Darling	Member	11/30/2012

The City Manager is appointed by and serves at the pleasure of the City Council. The City Manager directs and supervises the operation of all City departments and programs, sees to the preparation and management of the municipal budget, develops and implements City administrative procedures, analyzes legislation, provides intergovernmental representation and ensures that the Council's legislative acts, policies, and programs are implemented. The City Manager makes recommendations to the City Council regarding the operation and needs of the City. David Elias is the current City Manager. He has been serving as City Manager since July 1, 1999.

Labor Relations

As of May 1, 2010, the City employed approximately 28 full-time employees and 7 management employees. There are no employee associations. The City has not experienced any work stoppages or strikes by its employees.

Employment and Industry

The following tables show civilian labor force and wage and salary employment data for Fresno County, for the years 2005 through 2009. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

COUNTY OF FRESNO
Civilian Labor Force, Employment and Unemployment, Unemployment by Industry
(Annual Averages)

	2005	2006	2007	2008	2009
Civilian Labor Force [(1)]	408,100	412,800	421,000	432,000	438,700
Employment	371,200	379,700	385,200	386,900	372,500
Unemployment	36,900	33,100	35,800	45,200	66,200
Unemployment Rate	9.0%	8.0%	8.5%	10.5%	15.1%
Wage and Salary Employment: [(2)]					
Agriculture	46,400	46,500	48,100	48,900	47,200
Natural Resources and Mining	200	200	100	100	200
Construction	21,600	23,200	21,100	17,900	13,700
Manufacturing	27,200	27,500	28,100	27,100	25,300
Wholesale Trade	12,700	13,200	13,500	12,900	11,900
Retail Trade	35,100	35,200	36,300	35,400	33,000
Trans., Warehousing, Utilities	9,400	10,000	10,700	11,000	10,700
Information	4,300	4,200	4,200	4,700	4,400
Financial and Insurance	10,300	10,900	10,800	10,300	9,600
Real Estate, Rental & Leasing	4,500	4,600	4,500	4,500	4,300
Professional and Bus. Services	28,800	29,500	30,000	30,700	28,100
Educational and Health Services	36,600	37,500	38,900	40,100	40,200
Leisure and Hospitality	25,900	28,100	28,200	28,000	26,600
Other Services	10,800	10,900	11,000	10,600	10,200
Federal Government	9,800	9,800	9,600	9,800	9,800
State Government	9,600	10,100	10,600	10,800	10,800
Local Government	47,600	47,700	49,000	49,400	47,800
Total All Industries [(3)]	340,700	349,100	354,500	351,900	333,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Largest Employers

The following table lists the largest employers within the County as of May 2010.

COUNTY OF FRESNO
Major Employers (listed alphabetically)

Employer Name	Location	Industry
Aetna	Fresno	Insurance
Cargill Meat Solutions	Fresno	Locker Plants
Casino College	Fresno	Casinos
Central Ag Inc	Clovis	Payroll Preparation Service
Community Medical Ctrs	Fresno	Physicians & Surgeons
Community Regional Medical Ctr	Fresno	Hospitals
Corrections Dept	Coalinga	State Govt-Correctional Institutions
Foster Farms	Fresno	Poultry Farms
Fresno County Economic	Fresno	County Government-General Offices
Fresno County Education Dept	Fresno	County Government-Education Programs
Fresno County Health Dept	Fresno	Physicians & Surgeons
Fresno County Sheriff's Dept	Fresno	Sheriff
Fresno County Sheriffs Office	Fresno	Sheriff
Fresno Police Dept	Fresno	Police Departments
Fresno Police-Mgmt Support	Fresno	Police Departments
Fresno State	Fresno	Schools-Universities & Colleges Academic
Hall Ag Svc	Mendota	Harvesting-Contract
Harris Ranch Beef Co	Selma	Meat Packers (Mfrs)
Ito Packing Co Inc	Reedley	Packaging Service
Kaiser Fresno Medical Ctr	Fresno	Hospitals
Pelco Inc	Clovis	Security Guard & Patrol Service
Play It Safe Intl	Fresno	Safety Consultants
St Agnes Medical Ctr	Fresno	Hospitals
Stamoules Produce	Mendota	Exporters (Whls)
Zacky Farms	Fresno	Broiler Fryer & Roaster Chickens

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2010 2nd Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City of Fowler, the County, the State and the United States for 2005 through 2009.

COUNTY OF FRESNO
Effective Buying Income
As of January 1, 2004 through 2008

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2005	City of Fowler	$ 56,883	$35,403
	Fresno County	12,359,138	34,938
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Fowler	$ 61,950	$36,184
	Fresno County	13,269,213	36,593
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	City of Fowler	$ 71,433	$38,333
	Fresno County	14,198,130	37,897
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Fowler	$ 74,555	$39,313
	Fresno County	14,889,983	39,348
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Fowler	$ 74,000	$38,056
	Fresno County	14,754,158	38,851
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: *The Nielsen Company (US), Inc.*

Commercial Activity

Total taxable transactions in the City during the first quarter of calendar year 2009 were estimated to be $43,231,000, a 29.9% decrease over the total taxable transactions of $61,667,000 that were estimated during the first quarter of calendar year 2008. A summary of historic taxable sales within the City is shown in the following table. Annual figures for 2009 are not yet available.

CITY OF FOWLER
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	46	34,044	105	86,996
2005	54	41,463	111	115,622
2006	58	46,245	113	111,942
2007	64	50,151	119	116,273
2008	67	55,641	124	120,275

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable transactions in the County during the first quarter of calendar year 2009 were estimated to be $4,894,969,000, a 16.73% decrease over the total taxable transactions of $5,878,091,000 that were estimated during the first quarter of calendar year 2008. A summary of historic taxable sales within the County is shown in the following table. Annual figures for 2009 are not yet available.

COUNTY OF FRESNO
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	9,229	7,730,818	19,874	10,722,491
2005	9,461	8,556,886	20,201	11,888,436
2006	9,425	9,058,802	20,266	12,560,649
2007	9,583	8,776,111	20,415	12,308,257
2008	9,848	7,872,783	20,273	11,729,171

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF FOWLER
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$31,043.3	$20,104.3	$13,640.9	$2,787.5	$2,282.0
New Multi-family	583.8	0.0	183.5	0.0	0.0
Res. Alterations/Additions	507.8	627.3	349.2	58.8	560.5
Total Residential	32,135.0	20,731.6	14,173.6	2,846.3	2,842.5
New Commercial	1,483.0	0.0	480.0	0.0	500.0
New Industrial	2,242.3	1,711.3	4,591.3	0.0	0.0
New Other	395.1	1,035.5	1,020.6	167.6	5.5
Com. Alterations/Additions	432.6	2,208.2	353.9	277.6	312.8
Total Nonresidential	$4,553.0	$4,955.0	$6,445.8	$445.2	818.3
New Dwelling Units					
Single Family	123	88	101	14	14
Multiple Family	6	0	2	0	0
TOTAL	129	88	103	14	14

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF FRESNO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$1,079,768.2	$718,839.1	$632,947.2	$397,573.2	$377,345.3
New Multi-family	140,275.7	39,470.0	105,117.2	34,864.3	13,704.8
Res. Alterations/Additions	72,117.0	73,394.1	63,360.3	48,502.3	35,691.7
Total Residential	1,292,160.9	831,703.1	801,424.6	480,939.8	426,741.8
New Commercial	140,851.8	1,491.0	146,245.3	173,074.5	81,861.9
New Industrial	57,122.6	0.0	66,957.6	21,391.7	23,538.6
New Other	84,037.1	7,557.9	49,882.5	56,471.6	24,262.4
Com. Alterations/Additions	98,155.6	1,895.3	97,088.3	103,934.3	82,292.2
Total Nonresidential	$380,167.1	$10,944.2	$360,173.6	$354,872.1	$211,955.1
New Dwelling Units					
Single Family	5,876	4,101	3,736	2,352	2,258
Multiple Family	1,823	479	1,243	317	158
TOTAL	7,699	4,580	4,979	2,669	2,416

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX C

REDEVELOPMENT AGENCY LOAN AGREEMENT

$888,000
FOWLER REDEVELOPMENT AGENCY
FOWLER REDEVELOPMENT PROJECT
2000 LOAN AGREEMENT

FINANCING PLAN

Generally

For the purpose of financing the redevelopment project located within the Fowler Redevelopment Project (the "Project Area") described below (the "Project"), pursuant to a resolution adopted by the Redevelopment Agency on November 30, 1999, the Redevelopment Agency entered into a Loan Agreement, dated as of April 1, 2000 (the "Loan Agreement"), by and between the Redevelopment Agency and the Authority, whereby the Redevelopment Agency borrowed moneys from the Authority derived from a portion of the proceeds of the Prior Bonds. Under the Loan Agreement, the Redevelopment Agency agreed to repay the loan in semiannual payments (the "Loan Payments"), commencing on September 15, 2000 and thereafter on each March 15 and September 15 (each, an "Interest Payment Date"). The Loan Payments are payable from certain property tax revenues received by the Redevelopment Agency and deposited in a Special Fund established and maintained by the Redevelopment Agency. The Authority assigned its rights to receive Loan Payments to the Trustee pursuant to an Assignment Agreement, dated as of April 1, 2000, by and between the Authority and the Trustee.

The Redevelopment Agency

The Redevelopment Agency was formed by ordinance of the City adopted on July 6, 1983 and a Redevelopment Plan for the Project Area was adopted July 5, 1995, pursuant to the California Community Redevelopment Law (Section 33000 et seq. of the California Health and Safety Code (the "Redevelopment Law" or the "Law"). Although the Redevelopment Agency is an entity distinct from the City, the City Council serves as the Redevelopment Agency Board and certain City personnel provide staff support for the Redevelopment Agency. All accounting records of Redevelopment Agency operations are maintained by the City's Finance Department separately from the accounting records of the City. Redevelopment Agency financial statements have been audited by independent certified public accountants since fiscal year 1995-96. The audited financial statements of the Redevelopment Agency for the fiscal year ended June 30, 2009 are included herein as Appendix L hereto.

The Redevelopment Plan

Pursuant to the Redevelopment Law, the City has adopted a plan (as amended, the "Redevelopment Plan") for the Fowler Redevelopment Project (the "Project Area") by ordinance adopted by the City Council on July 5, 1995. The Project Area encompasses 923 acres within the City, or approximately 58% of the City, and is planned for a mixture of industrial, commercial and residential development. See "MAP OF PROJECT AREA" at the end of this Appendix. The Redevelopment Agency has not previously issued any bonds or other obligations payable from the Tax Revenues (as defined below under the heading "SECURITY FOR THE LOAN – Pledge of Tax Revenues").

The Project

The project financed from the proceeds of the Loan were used to finance redevelopment activities within the Project Area, consisting of the construction and installation of a sewer line and lift and the signalization of certain streets within the Project Area (the "Project").

THE LOAN AGREEMENT

The information contained herein describing certain provisions of the Loan Agreement is a summary only and does not purport to be complete. Reference is hereby made to the Loan Agreement for further information. Unless otherwise defined, terms used in this section shall have the same meaning as those terms have in the Loan Agreement, copies of which are available from the Redevelopment Agency upon request.

Loan Payments

The Loan Agreement requires the Redevelopment Agency to make semiannual Loan Payments to the Trustee, as assignee of the Authority, on March 15 and September 15 of each, which Loan Payments commenced on September 15, 2000 and are payable to and including September 15, 2023. Loan Payments still due under the Loan Agreements are set forth below, subject, however, to prepayment as described herein.

Table C-1
REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
Loan Payments

Date	Principal	Rate(%)	Interest	Period Total Debt Service	Annual Debt Service
3/15/10	-		$34,600	$34,600	-
9/15/10	25,000	10.0	34,600	59,600	$94,200
3/15/11	-		33,350	33,350	-
9/15/11	27,000	10.0	33,350	60,350	93,700
3/15/12	-		32,000	32,000	-
9/15/12	30,000	10.0	32,000	62,000	94,000
3/15/13	-		30,500	30,500	-
9/15/13	33,000	10.0	30,500	63,500	94,000
3/15/14	-		28,850	28,850	-
9/15/14	36,000	10.0	28,850	64,850	93,700
3/15/15	-		27,050	27,050	-
9/15/15	40,000	10.0	27,050	67,050	94,100
3/15/16	-		25,050	25,050	-
9/15/16	44,000	10.0	25,050	69,050	94,100
3/15/17	-		22,850	22,850	-
9/15/17	48,000	10.0	22,850	70,850	93,700
3/15/18	-		20,450	20,450	-
9/15/18	53,000	10.0	20,450	73,450	93,900
3/15/19	-		17,800	17,800	-
9/15/19	58,000	10.0	17,800	75,800	93,600
3/15/20	-		14,900	14,900	-
9/15/20	64,000	10.0	14,900	78,900	93,800
3/15/21	-		11,700	11,700	-
9/15/21	71,000	10.0	11,700	82,700	94,400
3/15/22	-		8,150	8,150	-
9/15/22	78,000	10.0	8,150	86,150	94,300
3/15/23	-		4,250	4,250	-
9/15/23	85,000	10.0	4,250	89,250	93,500
TOTALS:	$692,000		$623,000	$1,315,000	$1,315,000

Optional Redemption

The principal of the Loan is subject to optional prepayment in whole or in part on any date on or after September 15, 2009 from any available source of funds at a prepayment price equal to the principal amount to be prepaid plus accrued interest to the prepayment date and plus a redemption premium to be agreed to by the Authority and the Redevelopment Agency, provided that such redemption premium shall be in an amount at least sufficient to permit the Authority to pay principal and interest on all Bonds that will remain outstanding following redemption of Bonds with the proceeds of the Authority's prepayment, all as shall be confirmed in a Report of an Independent Financial Consultant to be delivered to the Trustee together with such prepayment.

Notice of Redemption

The Redevelopment Agency is required to give the Trustee written notice of its intention to prepay the Loan not less than 60 days prior to the prepayment date, and must transfer to the Trustee all amounts required for such prepayment in accordance with the requirements of the Indenture.

In the event that a portion of the principal of the Loan has been prepaid, the amount of all future annual principal installments will be reduced in the aggregate amount of such principal so prepaid, based on calculations to be provided to the Trustee by an Independent Financial Consultant or by the Original Purchaser within not less than sixty (60) days following such prepayment.

Additional Obligations

Superior Debt. The Redevelopment Agency has covenanted in the Loan Agreement that so long as the Loan remains unpaid, the Redevelopment Agency will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is secured by a lien on all or any part of the Tax Revenues which is superior to the lien established under the Loan Agreement for the security of the Loan.

Parity Debt. The Redevelopment Agency may not enter into any additional bonds, notes, loans, advances or other indebtedness payable from the Tax Revenues (as described below under the heading "SECURITY FOR THE LOAN AGREEMENT – Tax Revenues") on a parity basis with the Loan Payments ("Parity Debt") unless the following conditions are met:

(a) The Redevelopment Agency must be in compliance with all covenants set forth in the Loan Agreement and all Parity Debt instruments.

(b) The Tax Revenues for the then current Fiscal Year based on assessed valuation of property in the Project Area as evidenced in a written document from an appropriate official of Fresno County, plus, at the option of the Redevelopment Agency, the Additional Allowance (as defined in the Loan Agreement), shall be at least equal to one hundred twenty-five percent 125% of Maximum Annual Debt Service, including within such Maximum Annual Debt Service the debt service payable on the proposed Parity Debt.

(c) The Parity Debt Instrument providing for the issuance of such Parity Debt must provide that:

(i) Interest is payable on September 15 and March 15 in each year of the term of such Parity Debt;

(ii) The principal of such Parity Debt must be payable on September 15 in any year in which principal is payable; and

(iii) Money must be deposited in the Reserve Account from the proceeds of the sale of such Parity Debt in an amount necessary to increase the amount in the Reserve Account to the Reserve Requirement, taking into account the issuance of the Parity Debt.

(d) The Parity Debt Instrument providing for the issuance of such Parity Debt may provide for the establishment of separate funds and accounts;

(e) The Redevelopment Agency shall provide to the Authority a Certificate of the Redevelopment Agency demonstrating that the issuance or incurrence of such Parity Debt will not impair its ability to comply with the covenant of the Redevelopment Agency concerning Measure C Funds; and

(f) The Redevelopment Agency must deliver to the Trustee a certificate certifying that the conditions precedent to the issuance of such Parity Bonds have been satisfied.

Subordinate Debt. The Redevelopment Agency may issue or incur any loans, advances or indebtedness which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues for the security of the Loan, in such principal amount as may be determined by the Redevelopment Agency.

Certain Covenants of the Redevelopment Agency

Punctual Payment. The Redevelopment Agency will punctually pay the principal of and interest on the Loan together with any prepayment premiums thereon in strict conformity with the terms of the Loan Agreement.

Covenant Concerning Gas Tax Revenues. The Redevelopment Agency is authorized by the Redevelopment Law to use Tax Revenues to assist the City in making installment payments required under the 1993 Installment Purchase Agreement (Merced Street Improvement Obligation). See "APPENDIX D – 1993 MERCED STREET IMPROVEMENT OBLIGATION - Measure C Funds" herein. Accordingly, in the event that Revenues pledged under the 1993 Installment Purchase Agreement, which generally consist of State and local gas tax revenues, shall no longer be available to be used to make installment payments required under the Installment Purchase Agreement, the Redevelopment Agency agrees with the Authority to provide the City with an amount of Tax Revenues equal to the deficiency created by the unavailability of such revenues. The Redevelopment Agency's agreement is subordinate to the obligation of the Redevelopment Agency to use Tax Revenues to make Loan Payments under the 2000 Loan Agreement and to repay any Parity Debt pursuant to the applicable Parity Debt Instrument, but shall be senior to any Subordinate Debt hereafter issued by the Redevelopment Agency. Tax Revenues have never been used to make installment payments on the 1993 Installment Purchase Agreement.

Books and Accounts. The Redevelopment Agency will keep, proper books of record and accounts, separate from all other records and accounts of the Redevelopment Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Special Fund, the Redevelopment Fund and the Reserve Account which shall at all times during business hours be subject, upon prior written request, to the inspection of the Authority, the Trustee and the Owners of any Bonds then Outstanding, or their representatives authorized in writing at reasonable times. The Redevelopment Agency will cause to be prepared and filed with the Trustee annually, within one hundred and eighty (180) days after the close of each Fiscal Year, complete audited financial statements with respect to such Fiscal Year. The Redevelopment Agency will furnish a copy of such statements, upon reasonable request, to any Bond Owner.

Disposition of Property. The Redevelopment Agency will not participate in the detachment of any land or real property from the Project Area or the disposition of any land or real property in the Project Area which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way) so that such detachment or disposition shall, when taken together with other such detachments and dispositions, aggregate either more than ten percent (10%) of the land area in the Project Area or 10% of the assessed value of the Project Area. Notwithstanding the foregoing, the Redevelopment Agency will not participate in any such detachment or disposition (except property dedicated for public right-of-way) at any time when Tax Revenues are less than one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the Loan calculated in the same manner as required for the issuance or incurrence of Parity Debt.

Maintenance of Tax Revenues. The Redevelopment Agency will comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State of California.

Redevelopment of Project Area. The Redevelopment Agency shall ensure that all activities undertaken by the Redevelopment Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Redevelopment Law. Without limiting the generality of the foregoing, the Redevelopment Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund all amounts when, as and if required to be deposited therein pursuant to the Redevelopment Law.

Events of Default

Upon an Event of Default (as defined in the Loan Agreement), the Trustee may declare the principal of the Loan, together with accrued interest on all unpaid installments, to be due and payable and may exercise any other remedies available at law or in equity. All amounts received by the Trustee pursuant to any right or action taken pursuant to the Loan Agreement will be applied first to the payment of Trustee fees and second to the payment of interest and principal on the Loan then due and payable, in the priorities set for the in the Loan Agreement.

Discharge of Loan Agreement

If the Redevelopment Agency pays and discharges the entire indebtedness on the Loan pursuant to the Loan Agreement, then the pledge of and lien upon the Tax Revenues and other funds established under the Loan Agreement shall cease and terminate, except only the obligation of the Redevelopment Agency to pay from amounts deposited with the Trustee or other fiduciary all sums due with respect to the Loan.

Amendment of Loan Agreement

The Loan Agreement may be amended under certain circumstances as described therein, however in no event no such amendment may modify the 125 percent coverage test required for the issuance of Parity Debt.

SECURITY FOR THE LOAN AGREEMENT

Tax Allocation Financing

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a project area. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, is established and becomes the base roll. The base roll for the Project Area based on the 1994-95 assessed valuation is $53,904,123. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies, on behalf of which taxes are levied on property within the project area, will receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes produced as indicated above.

Tax Increment Revenue

Under provisions of the California Constitution and the Redevelopment Law, the taxes eligible for allocation to the Redevelopment Agency and pledged by the Redevelopment Agency to pay debt service on the Loan are the taxes on all taxable property in the Project Area levied by any taxing agency divided upon collection as follows:

(1) To the funds of the respective taxing agencies an amount each year equal to that amount which would have been produced by the then current tax rates applied to the assessed valuation of the taxable property within the Project Area last equalized prior to the effective date of the ordinance approving the Redevelopment Plan; and

(2) To the Special Fund of the Redevelopment Agency (created by the Loan Agreement) taxes received over and above the amount specified in (1) above (exclusive of the Housing Set-Aside and those payments required pursuant to Statutory Tax Sharing (as described below) and also exclusive of taxes which are attributable to a tax rate levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of such taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to such levying taxing agency) up to an amount which is necessary to pay indebtedness of the Redevelopment Agency, such amount being referred to as “tax increment revenue”.

The Redevelopment Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of tax increment revenue that would otherwise be available to pay the Redevelopment Agency's indebtedness, including the Loan. Likewise, broadened property tax exemptions or changes in the way property tax revenues are distributed among the various taxing entities could have a similar effect. See “RISK FACTORS, LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS” herein.

Pledge of Tax Revenues

"Tax Revenues," as defined in the Loan Agreement, generally consist of all taxes allocated to the Redevelopment Agency with respect to the Project Area, less (i) all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Redevelopment Agency and (ii) all amounts payable by the Redevelopment Agency to other taxing entities pursuant to Section 33607.5 and 33607.7 of the Redevelopment Law. See "THE PROJECT AREA: PLANNED DEVELOPMENT AND FINANCIAL INFORMATION – The Housing Set-Aside" and "-Statutory Tax Sharing" herein.

The Loan and all Parity Debt is equally secured by a first pledge of, security interest in and lien on all of the Tax Revenues, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Loan and all Parity Debt is additionally secured by a first and exclusive pledge of and lien upon all of the moneys in the Reserve Account, including all amounts derived from the investment of such moneys. EXCEPT FOR THE TAX REVENUES AND THE MONEYS IN THE RESERVE ACCOUNT, NO FUNDS OR PROPERTIES OF THE REDEVELOPMENT AGENCY ARE PLEDGED TO, OR OTHERWISE LIABLE FOR, THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM (IF ANY) ON THE LOAN.

The Loan is not a debt of the City, the State of California or any of its political subdivisions, and neither the City, the State of California nor any of its political subdivisions is liable thereon. In no event shall the Loan or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Redevelopment Agency as set forth in the Loan Agreement. The Loan does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The members of the Redevelopment Agency are not liable personally on the Loan.

Reserve Account

The Trustee will maintain in a Reserve Account established under the Loan Agreement an amount of money equal to the Reserve Requirement, which is equal to, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service, (b) one hundred twenty-five percent (125%) of average annual debt service on the Loan, or (c) ten percent (10%) of the initial principal amount of the Loan. Such amount may be maintained in cash or, in whole or in part, in the form of a Qualified Reserve Account Credit Instrument, which is an irrevocable standby or direct-pay letter of credit or surety bond which meets the requirements of the Loan Agreement.

In the event that the Redevelopment Agency does not deposit with the Trustee the full amount required to be deposited to make principal and interest payments due on the Loan on or before the 2nd Business Day preceding such Interest Payment Date, on or before the Business Day preceding such Interest Payment Date the Trustee must withdraw from the Reserve Account and transfer to the interest and principal accounts an amount sufficient to make up for such deficiency. In the event that the amount on deposit in the Reserve Account is at any time be less than the Reserve Requirement, the Trustee must notify the Redevelopment Agency of the amount required to be deposited therein to restore the balance to the Reserve Requirement.

Amounts on deposit in the Reserve Account on the 3rd Business Day preceding any Interest Payment Date (other than the final Interest Payment Date) which exceed the Reserve

Requirement may be deposited by the Trustee on a pro rata basis based on the amounts to be used (i) to make payments on the Loan Payments, and (ii) to pay any Parity Debt.

Moneys in the Reserve Account may be invested solely in Permitted Investments at the direction of the Redevelopment Agency and in the absence of any such direction, the Trustee shall invest any such moneys in Permitted Investments described in clause (h) of the definition thereof. Interest earning on the Reserve Account will be maintained therein to the extent required to maintain the Reserve Requirement. Excess amount therein will be applied first to payments due on the Loan and thereafter to Parity Debt. See "APPENDIX A – SUMMARY OF INDENTURE" for the definition of "Permitted Investments".

THE PROJECT AREA: PLANNED DEVELOPMENT AND FINANCIAL INFORMATION

Current and Planned Development

In 2010, the Redevelopment Agency expects to complete the Manning Avenue street paving project. Due to the SERAF payments required to be made by the Redevelopment Agency in fiscal years 2009-10 and 2010-11, the Redevelopment Agency does not anticipate financing any additional projects within the Project Area. See "RISK FACTORS – State Budget Deficit and ERAF."

Certain Information Concerning the City

Certain statistical and financial information concerning the City is included herein as Appendix B hereto. Such information is provided for informational purposes only. The General Fund of the City is not liable for the payment of the Loan or the interest thereon, nor is the taxing power of the City pledged for the payment of the Loan or the interest thereon.

Current Tax Revenues

The Loan Agreement requires Tax Revenues to be transferred each year to the Trustee and applied to the payment of interest and principal due on the Loan and to maintain the Reserve Account in an amount equal to the Reserve Requirement.

The Assessor of Fresno County will assess all taxable property in the Project Area (except exempt property and public utility property) at 100% of "full cash value", as defined in Article XIIIA of the California Constitution. (See section headed "RISK FACTORS, LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS-Property Tax and Spending Limitations".) Public utility property is assessed by the State Board of Equalization. See "RISK FACTORS, LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS - Unitary Property" above. Fresno County operates under the provisions of Revenue and Taxation Code Sections 4701-4716 by which taxing entities in the County may receive their total secured tax levies regardless of actual payments and delinquencies. See "Property Tax Collection Procedures" below.

The pledge of the Tax Revenues to the payment of the Loan is subject to the Redevelopment Agency first satisfying its housing set-aside obligation and its Statutory Tax Sharing obligations described below. The Project Area's base year value based on the 1994-95 assessor's tax roll is $53,904,123. While a decline in the assessed value of the property in the Project Area below the base year assessed value would cause a reduction in Tax Revenues from the Project Area to $0, the 2009-10 assessed valuation in the Project Area is $176,754,420, or over three times the base year value of the Project Area.

Limitations on Indebtedness, Receipt of Tax Increments

The Redevelopment Plan for the Project Area imposes certain limitations on the amount of tax increment revenue that the Redevelopment Agency may be allocated from the Project Area. In 1993 the State Legislature adopted Assembly Bill 1290 (AB 1290), which imposed certain time limitations on the (i) the allocation of tax increment revenue to a redevelopment project, (ii) the effectiveness of a redevelopment plan and (iii) the incurrence of debt. Prior to subsequent changes, Section 33333.6 of the Redevelopment Law provided that a redevelopment agency may not pay indebtedness or receive property taxes pursuant to Section 33670 of the Redevelopment Law after ten years from the termination of the effectiveness of a redevelopment plan (which was limited to the later of January 1, 2009 or 40 years after the adoption of such redevelopment plan). Subsequent changes to the Redevelopment Law affecting plan limitations are as follows:

- In 1998, the State Legislature adopted Assembly Bill 1342 (AB 1342), which allowed redevelopment agencies to extend plan limitations to such maximum terms without having to comply with the statutory plan amendment process if such agency's existing plan limits were shorter

- In 2002, the State Legislature adopted Senate Bill 211 (SB 211), allowing the elimination of an agency's limitation on incurring debt.

- In 2003, the State legislature adopted Senate Bill 1045 (SB 1045), which provided that the governing body could adopt an ordinance to extend the limits on the termination of redevelopment plans approved prior to 1994 and the authority to collect tax increment revenue by one additional year if the agency was required to make a payment to the Educational Revenue Augmentation Fund ("ERAF") in 2003/04.

- In 2004, the State legislature adopted Senate Bill 1096 (SB 1096), which provided that the governing body could, with respect to redevelopment plans with less than 20 years remaining, adopt an ordinance to extend the limits on the termination of redevelopment plans and the authority to collect tax increment revenues by one additional year for each ERAF payment if the agency was required to make a payment to ERAF in 2004/05 and 2005/06.

- In July 2009, the State legislature adopted Assembly Bill 26 (AB 26), which provided that the governing body could adopt an ordinance to extend the limits on the termination of redevelopment plans approved prior to 1994 and the authority to collect tax increment revenues by one additional year if the agency makes a payment to the Supplemental Educational Revenue Augmentation Fund ("SERAF") in 2009/10. The SERAF payment is described in detail under the caption "BONDHOLDERS' RISKS – State of California Fiscal Issues."

The limitations imposed by the Redevelopment Plan, as amended, are as follows:

Maximum Bonded Indebtedness:	$60,000,000
Last Date to Incur Debt	July 5, 2025
Last Date to Collect Tax Increment Revenues:	July 5, 2040

To date, the Redevelopment Agency has collected approximately $5.5 million in tax increment revenues from the Project Area, net of housing set-asides and pass-throughs. The Redevelopment Agency is of the opinion that these limitations will not impede its ability to develop the Project Area in accordance with the Redevelopment Plan nor impair its ability in the future to repay any obligation or indebtedness incurred by the Redevelopment Agency in connection with the development of the Project Area in accordance with the Redevelopment Plan.

The Housing Set-Aside

Under various provisions of the Redevelopment Law and the Redevelopment Plan, the City is required to set aside into a low and moderate income housing fund at least 20 percent of its allocated tax revenues from the Project Area. The moneys so set-aside are to be used for the purpose of increasing, preserving and improving the community's supply of low and moderate income housing.

Statutory Tax Sharing

The Redevelopment Plan is subject to Sections 33607.5 and 33607.7 of the Redevelopment Law ("Statutory Tax Sharing"), which generally require that certain amounts of tax increment revenues generated in the Project Area be paid to affected taxing entities. In general, the amounts to be paid affected taxing entities pursuant to Statutory Tax Sharing are as follows:

> (a) commencing in the first fiscal year in which the Redevelopment Agency receives tax increments, an amount equal to 25 percent of tax increment revenues received by the Redevelopment Agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;
>
> (b) in addition to the amount set forth in (a) above, commencing with the 11th fiscal year in which the agency receives tax increments, an amount equal to 21 percent of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 10th fiscal year in which the Redevelopment Agency receives tax increments; and
>
> (c) in addition to the amounts set forth in (a) and (b) above, commencing with the 31st fiscal year in which the Redevelopment Agency receives tax increment, an amount equal to 14 percent of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 30th fiscal year in which the Redevelopment Agency receives tax increments.

Amounts required to be paid pursuant to the foregoing may be subordinated by the Redevelopment Agency to any loans, bonds or other indebtedness with the approval of the affected taxing entity.

History of Taxable Valuation and Tax Revenues

The following tables show the incremental assessed valuation and the Tax Revenues received by the Project Area.

TABLE C-2
FOWLER REDEVELOPMENT PROJECT
Historical Taxable Valuation and Tax Revenues

Fiscal Year	Full Assessed Value (100.0%)	Total Tax Increment Revenues[1]	Redevelopment Agency Tax Revenues [2]
1996-97	$62,691,764	$ 86,875	$ 69,500
1997-98	86,894,420	328,901	197,341
1998-99	88,557,507	345,533	207,319
1999-00	90,717,161	368,132	220,880
2000-01	99,521,715	456,177	273,707
2001-02	106,115,850	522,144	313,296
2002-03	113,579,021	596,779	358,077
2003-04	119,786,920	658,845	395,315
2004-05	127,112,576	732,112	439,278
2005-06	144,972,942	910,706	546,424
2006-07	147,470,216	935,692	557,220
2007-08	165,737,939	1,118,369	636,136
2008-09	174,137,097	1,204,865	673,922
2009-10	176,754,420	1,053,011	578,414

(1) Base Year 1994-95 valuation is $53,904,123; includes Housing Set-Aside and Statutory Tax Sharing.
(2) Excludes Housing Set-Aside and Statutory Tax Sharing.
Source: Auditor-Controller, Fresno County.

The following table shows historical debt service coverage on the Loan Agreement.

TABLE C-3
FOWLER REDEVELOPMENT PROJECT
Historical Debt Service Coverage

Fiscal Year	Redevelopment Agency Tax Revenues [1]	Loan Agreement Debt Service	Debt Service Coverage
2001-02	$313,296	$92,900	3.372
2002-03	358,077	93,800	3.817
2003-04	395,315	93,550	4.226
2004-05	439,278	93,200	4.713
2005-06	546,424	92,750	5.891
2006-07	557,220	93,150	5.982
2007-08	636,136	93,350	6.815
2008-09	673,922	92,400	7.294
2009-10	578,414	92,300	6.267

(1) Excludes Housing Set-Aside and Statutory Tax Sharing.
Source: Auditor-Controller, Fresno County.

Estimated Debt Service Coverage

The City estimates that the Tax Revenues to be received for fiscal year 2009-10 to be $578,414. Assuming such amount remains constant through fiscal year 2009-10 and debt service under the Loan Agreement is due in the amount of $92,300, debt service coverage for the Loan Agreement for fiscal year 2010-11 is 6.27.

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by the County becomes a lien on that property. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens.

Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. 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 clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvement or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

A ten percent (10%) penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of one and one-half percent (1.5%) per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent (10%) penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of one and one-half percent (1.5%) per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date. It is the County's practice to retain all such penalties.

The valuation of property is determined as of March 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31.

Fresno County operates under the provisions of Revenue and Taxation Code Sections 4701-4716 by which taxing entities in the County may receive their total secured tax levies regardless of actual payments and delinquencies. The County establishes a delinquency reserve and assumes responsibility for all secured delinquencies. Because of this method of tax collection, the taxing entity is virtually assured of 100% collection of its annual tax levy. The County could in the future discontinue this practice regarding delinquencies, in which event the taxing entity would bear its share of delinquencies, and share in any penalties and interest collected. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedure under the Teeter Plan with respect to any tax or assessment levying agency in the County if the rate of secured tax delinquency for that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in for that agency. Although the City has not elected to participate in the Teeter Plan, the Redevelopment Agency does participate. Therefore, the Redevelopment Agency receives one hundred percent of its share of property taxes levied, regardless of any delinquencies.

It has been the Redevelopment Agency's experience that approximately fifty percent of the tax allocations for the year are received by February 15 and an additional fifty percent by June 15. The Redevelopment Agency received its first apportionment of $526,446.32 of Tax Revenues (net of pass-throughs and housing set-aside) from the County, but as of June 11, 2010, has not received its second apportionment from the County.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property upon the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next March 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, the Redevelopment Agency revenues may increase.

Largest Assessees

The following tables set forth the twenty largest secured roll property taxpayers in the Project Area for fiscal year 2009-10. The aggregate assessed value of these twenty property owners account for approximately 49.8% of the total 2009-10 assessed value in the Project Area.

TABLE C-4
FOWLER REDEVELOPMENT PROJECT
Twenty Largest Assessees – Secured Roll
Fiscal Year 2009-10

	Property Owner	Primary Land Use	2009-10 Secured Assessed Valuation	% of Total (1)
1.	Sunshine Raisin Corporation (2)	Packing House	$14,768,605	10.10%
2.	Bee-Sweet Citrus Inc. (2)	Packing House	14,537,688	9.94
3.	Albert M. Tapper	Light Industrial	4,816,745	3.29
4.	Shiv Hotels LLC	Commercial	3,521,754	2.41
5.	Tjerrild & Tjerrild	Warehouse	3,285,530	2.25
6.	PPS Packaging Company	Warehouse	3,208,396	2.19
7.	Simonian Brothers Inc.	Warehouse	3,202,973	2.19
8.	Martin J. & Michelle A. Marderosian, Trust	Restaurant	3,151,545	2.16
9.	Armon Irene Boghosian	Warehouse	2,468,082	1.69
10.	Roger & Jo Ellen Anthony, Trustees	Warehouse	2,362,949	1.62
11.	Arturo L. & T. Ramirez	Garage	2,303,243	1.58
12.	Mats Ove Andersson	Warehouse	2,240,104	1.53
13.	Port Properties LLC	Truck Terminal	1,827,668	1.25
14.	Jacob Belemijian	Warehouse	1,758,432	1.20
15.	JST LLC	Restaurant	1,699,412	1.16
16.	Robert Salazar	Light Industrial	1,685,118	1.15
17.	FDS Manufacturing Co. Inc.	Warehouse	1,671,821	1.14
18.	Eugene E. & Joetta D. Jacobsen, Trustees	Warehouse	1,617,402	1.11
19.	John & Lorrie R. Gahvejian, Trustees	Lumber Yard	1,454,323	0.99
20.	Baba Nanak Corporation	Convenience Store	1,300,000	0.89
			$72,881,790	49.84%

(1) 2009-10 Local Secured Assessed Valuation: $146,222,845
(2) See Appendix G for a brief discussion of these property owners.
Source: California Municipal Statistics, Inc.

Certification of Redevelopment Agency Indebtedness

A significant provision of the Redevelopment law, Section 33675, was added by the Legislature in 1976, providing for the filing not later than the first day of October of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project which receives tax increment. The statement of indebtedness is required to contain the date on which the bonds were delivered, the principal amount, term, purpose and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment.

Section 33675 also provides that the county auditor is limited in payment of tax increment to the agency to the amounts shown on the agency's statement of indebtedness. Section 33675 further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action will involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a public agency in connection with payments by such public agency pursuant to a bond issue which shall not be disputed in any action under Section 33675. The Loan may be entitled to the protection of that portion of the statute so that it cannot be disputed by the county auditor.

RISK FACTORS

The following factors, along with the risk factors set forth in the main body of this official statement under the heading "SPECIAL RISK FACTORS" and the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

To estimate the revenues available to pay debt service on the Loan, the Redevelopment Agency has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Redevelopment Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than the Redevelopment Agency's assumptions, the Tax Revenues available to pay debt service on the Loan will, in all likelihood, be less than those projected.

Reduction in Taxable Value

Tax Revenues allocated to the Redevelopment Agency are determined by the amount of incremental taxable value in the Project Area allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Redevelopment Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Seismic Factors," below), flood (see "Risk of Flood" below) or other natural disaster, could cause a reduction in the Tax Revenues. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. The City is not aware of any property tax appeals pending relating to property located in the Project Area.

Such a reduction of assessed valuations and the resulting decline in Tax Revenues or the resulting property tax refunds could have an adverse effect on the Redevelopment Agency's ability to make timely payments of principal of and interest on the Loan.

Concentration of Largest Assessees

The 20 largest assessees in the Project Area account for nearly half of the total valuation in fiscal year 2009-10. The top two assessees, Sunshine Raisin Corporation and Bee-Sweet Citrus Inc., account for 20% of the total valuation. As a result of this high concentration, delinquencies in the payment of property taxes or petitions for reductions in assessed valuations by any of these large assesses could have an adverse effect on the Redevelopment Agency's ability to make timely debt service payments.

Risks to Real Estate Market

The Redevelopment Agency's ability to make payments on the Loan is dependent upon the economic strength of the Project Area. The general economy of the Project Area is subject to all of the risks generally associated with real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuations causing a delay or interruption in the receipt of tax increment revenue by the Redevelopment Agency from the Project Area. See "Local Economy" below.

In recent years, residential, commercial, retail and industrial real estate markets have experienced declines in market values and other difficulties, including rising vacancy rates on leased property. Foreclosures on real property have increased significantly. Further, some property owners, including those within the Project Area, have experienced difficulty in meeting mortgage loan payments, leading to increased defaults and foreclosures. Some property owners have experienced difficulty in refinancing real estate loans that have come due. As a result of declining market values, difficult economic conditions, increasing delinquencies and foreclosures on real estate loans and other factors, real estate values have declined and credit has become more difficult and more expensive to obtain, in the residential market, commercial, retail and industrial sectors. These factors among others may adversely impact future assessed values.

While property values within the Project Area have enjoyed significant growth over the longer term, this trend may not continue as the weak economy and high unemployment rates affect the value of real property. Further, the values of different types of property may be affected differently by economic conditions.

Local Economy

Despite the national recession, the Project Area did not experience declines in assessed valuation during fiscal years 2008-09 and 2009-10. The County Assessor estimates that assessed valuations within the Project Area will decrease by one to two percent in 2010-11. Although some economic factors suggest the national, State and local economies may be headed into a recovery, investors should be aware of the possibility that assessed values in the Project Area may continue to decline even after the economy begins to recover.

Appeals and Assessor Reductions to Assessed Value

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). In addition to reductions in assessed value resulting from Proposition 8 appeals, Proposition 8 also allows assessors to reduce assessed value unilaterally to reflect reductions in market value.

To the extent assessed values are reduced through the assessment appeal or unilateral reduction process, tax increment revenue securing the Bonds will be reduced. ***A reduction in taxable values within the Project Area and the refund of taxes which may arise out of successful appeals by property owners or unilateral reduction by the County Assessor will affect the amount of Tax Revenues available for payment on the Loan.***

Reduction in Inflationary Rate

As described in greater detail below, Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%.

The State Board of Equalization has notified county assessors that the inflationary rate to be applied to the fiscal year 2010-11 assessment roll is negative 0.237%. Such a reduction would affect all properties that did not have a change in their base year values through sale or new construction during the fiscal year.

The Redevelopment Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area, whether an increase or a reduction, will be realized in future years.

Levy and Collection

The Redevelopment Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Redevelopment Agency to repay the Loan. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Redevelopment Agency's ability to make timely debt service payments.

Additional Bonds

As described in "THE LOAN AGREEMENT – Additional Debt," the Redevelopment Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the Loan. The existence of and the potential for such obligations increases the risks associated with the Redevelopment Agency's payment of debt service on the Loan in the event of a decrease in the Redevelopment Agency's collection of Tax Revenues.

State Budget Deficit and ERAF

General. In approving recent budgets, the State Legislature has enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each redevelopment agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("**ERAF**"). The amount required to be paid by a redevelopment agency was apportioned based on tax increment collected.

Historical ERAF Payments. In approving the budget for fiscal year 2003-04, the Legislature fixed the aggregate ERAF transfer for the year at $135 million, of which the Redevelopment Agency paid approximately $52,000 as its allocated share. In connection with its approval of the budget for fiscal year 2004-05, the Legislature fixed the ERAF transfer at $250 million each for fiscal year 2004-05 and 2005-06. In so doing, the Legislature also authorized redevelopment agencies to extend the effective dates of their redevelopment plans. The amounts paid into ERAF are deducted from the cumulative tax increment revenue receipts applied to the Tax Increment Revenue Limit. The Redevelopment Agency's fiscal year 2004-05 ERAF share was approximately $52,000. The Redevelopment Agency's fiscal year 2005-06 ERAF share was $69,000. The Redevelopment Agency made these ERAF payments from cash on hand.

Fiscal Year 2008-09. In 2008, the State Legislature adopted, and the Governor of the State signed, legislation, Chapter 751, Statutes 2008 (AB 1389) ("AB 1389"), that among other things, required redevelopment agencies to pay into ERAF in fiscal year 2008-09, prior to May 10, 2009, an aggregate amount of $350 million. On April 30, 2009, a California superior court in *California Redevelopment Association v. Genest* (County of Sacramento) (Case No. 34-2008-00028334) held that the required payment by redevelopment agencies into ERAF in fiscal year 2008-09 pursuant to AB 1389 violated the California Constitution and invalidated and enjoined the operation of the California Health and Safety Code section requiring the payment. On May 26, 2009, the State filed a notice that it would appeal the decision of the superior court. On September 28, 2009, the State noticed its withdrawal of its appeal of *California Redevelopment Association v. Genest*.

Supplemental ERAF. In late July 2009, in connection with various legislation related to the State budget for fiscal year 2009-10, the State Legislature adopted, and the Governor of the State signed, Assembly Bill No. 26x4 (the "2009 SERAF Legislation").

The 2009 SERAF Legislation mandates that redevelopment agencies in the State make deposits to the Supplemental Educational Revenue Augmentation Fund ("SERAF") that is established in each county treasury throughout the State the aggregate amounts of $1.7 billion for fiscal year 2009-10, which are due prior to May 10, 2010, and $350 million for fiscal year 2010-11, which are due prior to May 10, 2011.

Agency SERAF Obligation. The Redevelopment Agency was informed by the State Director of Finance that the total payable by it for fiscal year 2009-10 is $337,429 and the Redevelopment Agency has preliminarily estimated that the total amount payable by it will be $69,404 for fiscal year 2010-11; the actual payment amount for fiscal year 2010-11 will be calculated by the State's Department of Finance by November 15, 2010. Pursuant to the 2009

SERAF Legislation, redevelopment agencies may use any funds that are legally available and not legally obligated for other uses, including reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest and other earned income.

The Redevelopment Agency paid its 2009-10 SERAF obligation of $337,429 from funds on hand and expects to meet its $69,404 fiscal year 2010-11 SERAF obligation from funds on hand.

SERAF-Related Penalties. The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional 5% of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law.

The five percent (5%) additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the "Penalty Set-Aside Requirement") would be in addition to the 20% of such tax revenues already required to be used for low and moderate income housing purposes. A redevelopment agency that borrows from amounts required to be allocated to its housing set-aside funds to make required SERAF payments, but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement. In other words, if the Redevelopment Agency were to borrow funds from its Low and Moderate Income Housing Fund to make the SERAF payment in either year, but did not repay the funds within the specified time frame, it would be subject to the Penalty Set-Aside Requirement. It is important to note that the Penalty Set-Aside Requirement separately applies for each of the fiscal year 2009-10 loan repayment (due June 30, 2015) and the fiscal year 2010-11 loan repayment (due June 30, 2016).

Relative Priority of SERAF and Loan Debt Service. The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments to certain indebtedness. Health and Safety Code, § 33690 (a) (3) states: "The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code." Consequently, the Agency’s obligation to make the SERAF payments is subordinate to the Redevelopment Agency's obligation to pay debt service on the Loan.

Although the SERAF payments are subordinate to debt service on the Loan, there is no provision in the 2009 SERAF Legislation expressly subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF payments mandated by the SERAF Legislation. The Penalty Set-Aside Requirement should be subordinate to the Redevelopment Agency’s obligation to pay debt service on obligations entered into prior to adoption of the 2009 SERAF Legislation (i.e., the Loan), but a court could conclude that the Penalty Set-Aside Requirement is senior to the Redevelopment Agency’s obligation to pay debt service on the Loan.

On May 4, 2010, a California superior court in California Redevelopment Association v. Genest (County of Sacramento) (Case No. 34-2009-80000359) held that the required payment by redevelopment agencies into SERAF in fiscal years 2009-10 and 2010-11 does not violate the California Constitution. The Third District Court of Appeal denied CRA's request for a temporary stay on making SERAF payments, thus, the CRA recommended that redevelopment agencies make SERAF payments due on May 10 of each year. The CRA continues to pursue an appeal of the matter. The Redevelopment Agency's 2009-10 SERAF payment in the amount of $337,429 was made by the May 10, 2010 deadline.

2010-11 State Budget Proposals and Future ERAF Payments. In connection with the State budget proposals for 2010-11, the Governor has not proposed reallocating redevelopment funds to school districts; however, given that the State's structural deficit has yet to be resolved and the State's projected budget deficits continue to be substantial, there can be no assurances that reallocations will not be required in the future, which might reduce the Redevelopment Agency's ability to pay debt service on the Loan.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

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APPENDIX C-1

MAP OF PROJECT AREA

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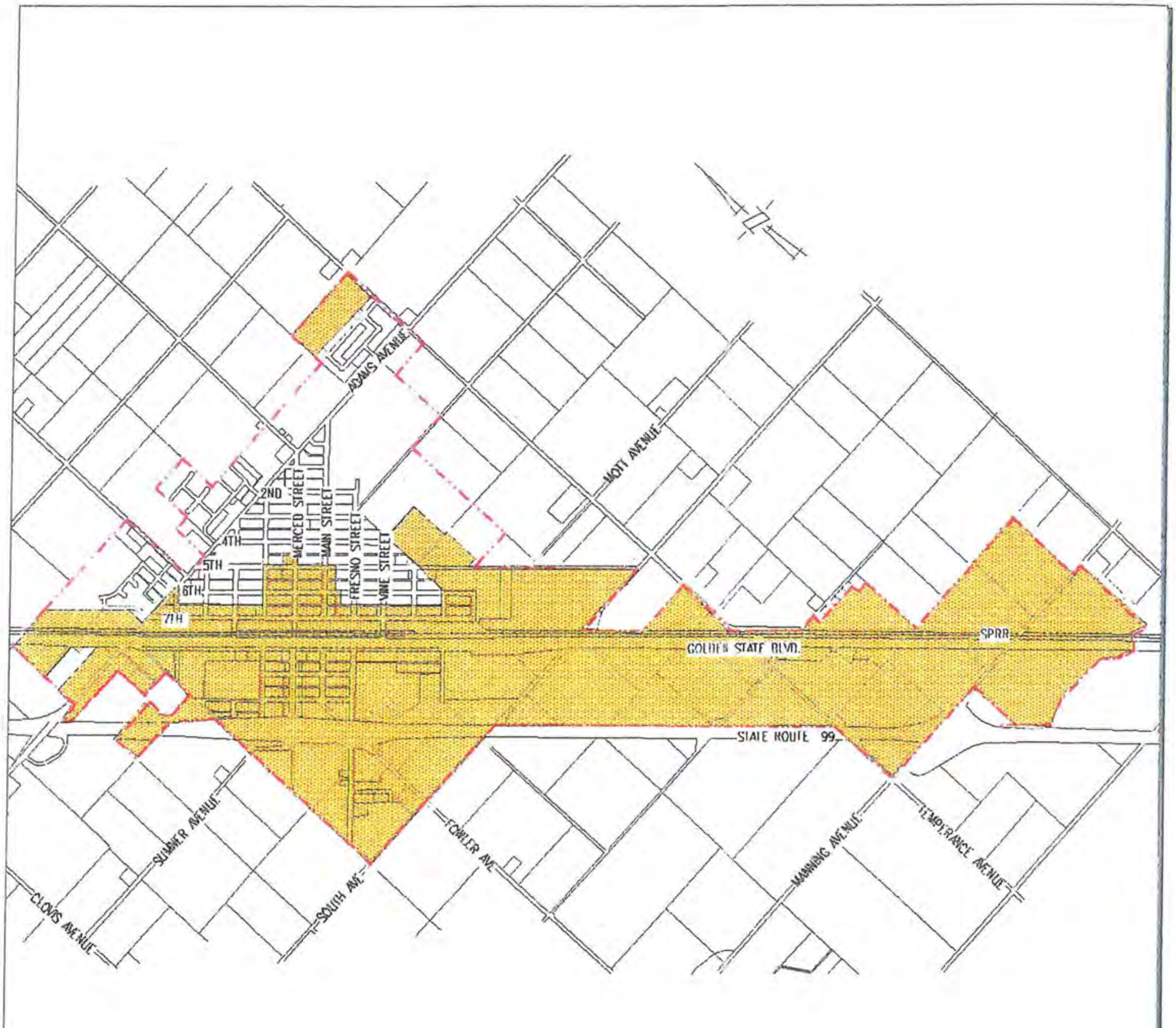

May 1995

Legend

Fowler City Limits

Proposed Project Area

Prepared By: Urban Futures, Inc.
3111 N. Tustin Ave., Suite 230
Orange, CA 92665

City of Fowler Redevelopment Agency

Proposed Project Area Map

Figure 1

fl.pa.

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APPENDIX D

1993 MERCED STREET IMPROVEMENT OBLIGATION

THE FINANCING PLAN

Generally

For the purpose of financing its 1993 Street Improvement Project (the "Project"), the City leased the site of the Project to the Authority pursuant to a Site Lease, dated as of March 1, 1993 (the "Site Lease") for the purpose of allowing the Authority to enter upon the site and construct and install the Project. Concurrent with the execution of the Site Lease, the City and the Authority entered into an Installment Purchase Agreement, dated as of March 1, 1993 (the "Installment Purchase Agreement") whereby the Authority agreed to apply bond proceeds to the acquisition and construction of the Project, and the City agreed to acquire the Project from the Authority from certain revenues of the City (the "Revenues"), payable in semi-annual installment payments (the "Installment Payments"). In connection with the issuance of the Prior Bonds, the Installment Purchase Agreement was amended and the Authority assigned all rights in the Installment Purchase Agreement to Union Bank, N.A., as trustee for the Prior Bonds. Under the Local Obligations Agreement, all rights, title and interests of Union Bank, N.A., as trustee for the Prior Bonds, in the Local Obligations, including the Installment Purchase Agreement, will be transferred to the Trustee for the Bonds. See "SECURITY FOR THE BONDS – The Local Obligations" in the main body of this Official Statement.

The 1993 Street Improvement Project

The Project consisted of the acquisition and construction of street modifications, improvements and additions to Merced Street, including the reconstruction of certain portions of the street, the construction of alley approaches, the replacement of curbs including modifications providing for handicapped access, installation of valley gutters, improvement of storm drainage, street lighting, landscaping and the installation of fire hydrants.

INSTALLMENT PURCHASE AGREEMENT

The information contained herein describing certain provisions of the Installment Purchase Agreement is a summary only and does not purport to be complete. Reference is hereby made to the Installment Purchase Agreement for further information. Unless otherwise defined, terms used in this section shall have the same meaning as those terms have in the Installment Purchase Agreement, copies of which are available from the Agency upon request.

Installment Payments

The Installment Purchase Agreement requires the City to make semiannual Installment Payments to the Trustee, as assignee of the Authority, on March 15 and September 15 of each year, which Installment Payments commenced on September 15, 1993 and are payable to and including September 15, 2023. Annual Installment Payments still due under the Installment Purchase Agreement are set forth below, subject, however, to prepayment as described below.

Annual Installment Payments

Year Ending September 15	Principal	Interest	Total
2010	$ 35,000.00	$ 67,410.00	$102,410.00
2011	40,000.00	64,680.00	104,680.00
2012	40,000.00	61,540.00	101,540.00
2013	45,000.00	58,400.00	103,400.00
2014	50,000.00	54,800.00	104,800.00
2015	50,000.00	50,800.00	100,800.00
2016	55,000.00	46,800.00	101,800.00
2017	60,000.00	42,400.00	102,400.00
2018	65,000.00	37,600.00	102,600.00
2019	70,000.00	32,400.00	102,400.00
2020	75,000.00	26,800.00	101,800.00
2021	80,000.00	20,800.00	100,800.00
2022	90,000.00	14,400.00	104,400.00
2023	90,000.00	7,200.00	97,200.00
TOTAL	$845,000.00	$586,030.00	$1,431,030.00

Prepayment

Optional Prepayment. Installment Payments are subject to optional prepayment in whole or in part on any date on or after September 15, 2009 from any available source of funds at a prepayment price equal to the principal amount to be prepaid plus accrued interest to the prepayment date and plus a redemption premium to be agreed to by the Authority and the City, provided that such redemption premium shall be in an amount at least sufficient to permit the Authority to pay principal and interest on all Bonds that will remain outstanding following redemption of Bonds with the proceeds of the Authority's prepayment, all as shall be confirmed in a Report of an Independent Financial Consultant to be delivered to the Trustee together with such prepayment. Installment Payments prepaid in part will be applied against Installment Payments at the direction of the City, or in the absence of such direction, on a pro rata basis.

Mandatory Prepayment From Net Proceeds of Eminent Domain. The City must prepay the Installment Payments, in whole on any date or in part on any Installment Payment Date, from the net proceeds of any eminent domain award with respect to the Project credited toward the prepayment of the Installment Payments pursuant to the Installment Purchase Agreement. Such proceeds will be applied first to the payment of delinquent Installment Payments, if applicable, and thereafter to the prepayment of Installment Payments in full or in part at the direction of the City, or in the absence of such direction, on a pro rata basis.

Effect of Prepayment. Upon providing for prepayment in full of the Installment Payments, the City's obligations under the Installment Purchase Agreement shall cease and terminate. Upon providing for prepayment in part, the principal and interest will be reduced at the direction of the City or in the absence of such direction, on a pro rata basis.

Additional Obligations

The City may not enter into any additional obligation payable from Revenues (as described below under the heading "SECURITY AND SOURCES OF PAYMENT FOR INSTALLMENT PAYMENTS – Pledge of Revenues") on a parity basis with the Installment Payments unless the following conditions are met:

(a) The Gas Tax Revenues and the County local transportation funds allocated to the City for the audited fiscal year immediately preceding the date of issuance of such additional obligation are not less than 1.5 times the total aggregate amount of the Installment Payments due and all debt service payments due on obligations on a parity with the Installment Payments, including such additional obligation, in each subsequent fiscal year.

(b) The additional obligation shall not have a variable rate of interest.

(c) No event of default has occurred and is continuing under the Installment Purchase Agreement.

SECURITY AND SOURCES OF PAYMENT FOR THE INSTALLMENT PAYMENTS

Pledge of Revenues

The City has covenanted in the Installment Purchase Agreement to make the Installment Payments from Revenues. "Revenues" are (i) all amounts received by the City from the State Controller under Section 2105, 2106 and 2107 of the California Streets and Highways Code (the "Gas Tax Revenues"), (ii) all amounts allocated to and received by the City from the local transportation fund for Fresno County pursuant to Section 29530 et seq. of the California Government Code ("Local Transportation Funds") and (iii) Measure C Funds, which consist of funds received by the City pursuant to Chapter 6 of Division 15 of the California Public Utilities Code from the retail transactions and use tax imposed in Fresno County pursuant to Part 1.6 of Division 2 of the California Revenue and Taxation Code.

The obligation to make Installments Payments is a special obligation of the City limited solely to Revenues. Under no circumstances is the City obligated to advance any monies derived from any source of income other than Revenues, nor are other funds or property of the City liable for the payment of Installment Payments. The City has covenanted in the Installment Purchase Agreement to take such action as may be necessary to include all Installment Payments due in each Fiscal year in its budget for that Fiscal Year and to make the necessary annual appropriations therefore, but only from Revenues.

THE OBLIGATION OF THE CITY TO MAKE THE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The City has established the Street Revenue Fund into which it deposits Revenues sufficient to make Installment Payments to the Trustee on each Installment Payment Date. Amounts on deposit in the Street Revenue Fund shall be used solely to pay or prepay the Installment Payments and to make any other payments or deposits required under the Installment Purchase Agreements. In the event there are insufficient amounts on deposit in the Street Revenue Fund to make an Installment Payment when due, the Installment Payment in default will continue as an obligation of the City bearing interest at the highest rate permitted by law from the date of default until such amount is fully paid.

Revenues

As described in the preceding section, the Revenues consist of Gas Tax Revenues, County local transportation funds and Measure C Funds, each of which are described below.

• <u>Gas Tax Revenues</u>

In the Installment Purchase Agreement, the City pledges its Gas Tax Revenues for the payment of Installment Payments. Gas Tax Revenues are received by the City and held and maintained in the City's Street Revenue Fund.

Historical Gas Consumption. The table below sets forth historical motor vehicle fuel use for the State for calendar years 2001 through 2009. Gas Tax Revenues received by the City are through apportionments of a gas tax levied by the State on the distribution of net taxable motor vehicle and taxable diesel fuel. The revenues are collected State-wide, and then are apportioned to cities and counties in the State, based on factors such as population.

Table D-1
STATE OF CALIFORNIA
HISTORICAL FUEL USE
Statewide Fuel Distributions
(Millions of Gallons)

Year	Net Taxable Motor Vehicle Fuel	Taxable Diesel Fuel
2001	15,117	2,627
2002	15,513	2,700
2003	15,662	2,668
2004	15,938	2,842
2005	15,908	2,964
2006	15,825	2,994
2007	15,672	3,082
2008	15,032	2,828
2009	14,811	2,580

Source: State of California, Board of Equalization, Fuel Taxes Division, Statistics and Reports Section.

Gas Tax Revenue Apportionments. Apportionment of Gas Tax Revenue to the City is made by the State Controller according to Sections 2105, 2106 and 2107 of the Streets and Highways Code. Gas Tax Revenues are subject to monitoring and review by the State Controller which monitors such funds to ensure that they are used in accordance with law.

Section 2105. Cities will be apportioned a sum equal to 1.035 cents ($0.01035) per gallon from the tax under Section 7360 of the Revenue and Taxation Code, 11.5 percent of any per gallon tax in excess of nine cents ($0.09) per gallon under Section 8651 of the Revenue and Taxation Code, and 1.035 cents ($0.01035) per gallon from the tax under Sections 60050 and 60115 of the Revenue and Taxation Code, in the proportion that the total population of the city bears to the total population of all the cities in the state.

Section 2106. A sum equal to $0.0104 per gallon tax under the Motor Vehicle Fuel License Law shall be apportioned among counties and cities as follows: $400 to each city per month, $800 to each county per month, and $600,000 per month (for the 2007-08 fiscal year) to the Bicycle Lane Account in the State Transportation Fund. The balance is apportioned as follows: (1) The total money is divided among the counties on the basis that the ratio of automobile registration for county bears to the statewide total; (2) Within a county the amount determined is divided between the county and the cities within that county in the proportion that the assessed valuation of tangible property outside the incorporated cities of the county and within the incorporated cities of the county bears to total assessed valuation of the county; (3) The city's share is then divided on the basis of the ratio of the city's population bears to the total population of all cities within the county.

Section 2107. A sum equal to $0.01315 per gallon tax under the Motor Vehicle Fuel License Tax Law, $0.0259 under the Use Fuel Tax Law and $0.0180 under the Diesel Fuel Tax Law is apportioned monthly to cities as follows: To each city which has filed a report containing the information prescribed by subdivision (c) of Section 2152 of the Streets and Highways Code and which had expenditures in excess of $5,000 during the preceding fiscal year for snow removal, an amount equal to one-half the amount of its expenditures for snow removal in excess of $5,000 during such fiscal year is allocated annually. The balance is apportioned to each city in the proportion that the population of the city bears to the total population of all cities in the State.

Revenues received by the City pursuant to Section 2107.5 of the California Streets and Highways Code are used to pay administrative expenses and are not included in the definition of Gas Tax Revenues.

The population of each city and county for purposes of gas tax apportionments is determined by the last federal decennial or special census, or by a subsequent census validated by the population research unit of the State Department of Finance, or (if applicable) by the method described in Section 11105.3 of the State Revenue and Taxation Code or by a subsequent estimate prepared by the State Department of Finance, pursuant to Section 2107.2 of the Streets and Highways Code. See "APPENDIX B – General Information About the City of Fowler – Population."

Historic Gas Tax Revenues. Table D-2 sets forth historical Gas Tax Revenues received by the City, as apportioned under the Streets and Highway Code to the City for fiscal years 2000-01 through 2008-09, with estimated amounts for fiscal year 2009-10 and budgeted amounts for fiscal year 2010-11.

Table D-2
CITY OF FOWLER
Historic Gas Tax Revenues

Fiscal Year	Section 2105	Section 2106	Section 2107	Totals
2000-01	$23,901.67	$17,843.49	$31,560.27	$73,305.43
2001-02	25,672.83	18,007.89,	33,754.38	77,435.10
2002-03	25,738.51	18,256.79	34,123.70	78,119.00
2003-04	26,665.96	18,925.13	35,555.62	81,146.71
2004-05	28,704.45	20,037.77	38,136.43	86,878.65
2005-06	28,827.05	20,207.33	38,405.31	87,439.69
2006-07	29,466.75	20,690.13	39,383.56	89,540.44
2007-08	31,533.32	21,547.91	42,272.72	95,353.95
2008-09	30,304.38	21,271.17	40,371.81	91,947.36
2009-10 (1)	29,987.30	21,112.53	39,702.61	90,802.44
2010-11 (2)	29,500.00	20,800.00	39,400.00	89,700.00

(1) Estimated.
(2) Budgeted.
Source: City of Fowler.

• <u>County Local Transportation Fund</u>

Fresno County has established a local transportation fund pursuant to Government Code Section 29530 into which it deposits amounts collected by the State Board of Equalization from the County's sales and use tax levied pursuant to ordinance and Revenue and Taxation Code Section 7201 et seq, from which the City receives an allocation.

Table D-3 sets forth historical Local Transportation Fund revenues received by the City, as apportioned under Government Code Section 29530 et seq. and Public Utilities Code Section 99200 et seq. to the City for fiscal years 2005-06 through 2008-09, with the estimated amount for 2009-10 and the amount budgeted for fiscal year 2010-11.

Table D-3
CITY OF FOWLER
Historic Local Transportation Fund Revenues

Fiscal Year	Revenues
2005-06	$14,807
2006-07	48,572
2007-08	118,712
2008-09	89,943
2009-10 (1)	54,353
2010-11 (2)	50,000

(1) Estimated.
(2) Budgeted.

Source: City of Fowler.

• Measure C Funds

Pursuant to California Public Utilities Code Section 142257 et seq. and Section 7251 et seq. of the California Revenue and Taxation Code, at an election held in the County, the Fresno County Transportation Authority obtained approval by a majority of qualified voters to impose by ordinance a 0.5% transactions and use tax, commencing in fiscal year 1999-00 and originally scheduled to terminate in fiscal year 2006-07. Through 2006-07, all Measure C Funds were pledged to payment of the Installment Payments. At the November 7, 2006 election, two-thirds of qualified voters approved a twenty-year extension of the Measure C transportation tax. The Measure C Funds are now categorized as follows: (1) Americans with Disabilities Act compliance component, (2) street maintenance component, and (3) flexible spending component. Since 2007-08, only the flexible spending component is available as a source of payment for the Installment Payments.

Historic Measure C Funds. Table D-4 sets forth historical Measure C Funds received by the City for fiscal years 2005-06 and 2006-07 and the flexible spending component of Measure C Funds received by the City for fiscal years 2007-08 through 2009-10 (estimated), with budgeted amounts for fiscal year 2010-11.

Table D-4
CITY OF FOWLER
Historic Measure C Funds

Fiscal Year	Measure C Revenues
2005-06	$80,165
2006-07	90,991
2007-08	96,274
2008-09	106,486
2009-10 (1)	84,258
2010-11 (2)	105,086

(1) Estimated.
(2) Budgeted.
Source: City of Fowler.

City's Street Revenue Fund. The table below shows a summary of the historic Revenues, Installment Payments and coverage, for fiscal years 2006-07 through 2010-11 (budgeted). To date, the City's Gas Tax Revenues and Measure C Revenues have been sufficient to pay Installment Payments, and Local Transportation Fund revenues have been used for other street-related purposes.

Table D-5
CITY OF FOWLER
Street Improvement Fund
Historic Coverage

Revenues:	2006-07	2007-08	2008-09	Estimate 2009-10	Budgeted 2010-11
Measure C Funds[(1)]	$90,991	$96,274	$106,486	$84,258	$105,086
State Gas Tax 2105	29,466	31,533	30,304	29,987	29,500
State Gas Tax 2106	20,690	21,548	21,271	21,113	20,800
State Gas Tax 2107	39,384	42,273	40,371	39,703	39,400
Local Transportation Fund	48,572	118,712	89,943	54,343	50,000
Total Revenues	$229,103	$310,340	$288,375	$229,404	$244,786
Installment Payments	$100,614	$103,550	$101,270	$103,766	$101,045
Coverage	2.277x	2.998x	2.848x	2.211x	2.423x

(1) Consisting solely of the flexible spending component in 2007-08 through 2010-11.
Source: City of Fowler.

Additional Payments

In addition to the Installment Payments, the City is obligated to pay when due all amounts required to replenish the Reserve Fund for the Bonds and all costs and expenses incurred by the Authority to comply with the Indenture, the Installment Sale Agreement, the Assignment Agreement and the Site Lease upon receipt by the City of an invoice for such expenses, provided that such costs are at all times subordinate to the City's obligation to make Installment Payments. In the event the Reserve Fund is less than the Reserve Requirement, within 10 days of receipt of notice, the City shall deposit sufficient funds with the Trustee to meet the Reserve Requirement. Such funds are payable from the Revenues or from any other source of funds legally available for such purpose.

Insurance

The City agrees to maintain throughout the term of the Installment Purchase Agreement a standard comprehensive general insurance policy protecting the Authority, the City and their respective members, officers and agents and employees. Such insurance may be maintained as part of or in conjunction with any other insurance maintained by the City, or in the form of self-insurance by the City, or as part of insurance provided through a joint exercise of powers agency created for such purpose. Such insurance shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $1,000,000 for personal injury or death of two or more persons in each accident or event, and in a minimum amount of $1,000,000 (subject to a deductible of not more than $25,000,000) for such damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $10,000,000 covering all such risks. The net proceeds of such liailbity will be applied toward the extinguishment or satisfaction of the liability with respect to which the insurance proceeds have been paid. The City will certify to the Trustee and the Authority by September 15 of each year that such policy is in place and that it conforms to the requirements of the Installment Purchase Agreement.

Casualty insurance is not required for the Project under the Installment Purchase Agreement and the City does not have the right to abate Installment Payments in the event the Project is damaged or destroyed, or taken pursuant to the power of eminent domain. If all or a portion of the Project is taken pursuant to the power of eminent domain, the proceeds of an eminent domain award will be applied to the mandatory prepayment of the Installment Payments in whole or in part.

Action on Default

Should the City default under the Installment Purchase Agreement, the Trustee, as assignee of the Authority, may exercise any and all remedies available pursuant to law or granted pursuant to the Installment Purchase Agreement; provided, however, that under the Installment Purchase Agreement, the Trustee may only accelerate the Installment Payments or otherwise declare any Installment Payments not then in default to be immediately due and payable following a termination of the Installment Purchase Agreement by the Trustee. Under the Installment Purchase Agreement, the Trustee may only terminate the Agreement following an event of default upon written notice to the City and only if the City has on hand in the Street Revenue Fund amounts which are sufficient to prepay in full all remaining Installment Payments. In addition, the Authority and the Trustee may not exercise any rights of entry, re-entry or resale of the Project under the Installment Purchase Agreement. See "RISK FACTORS - Limited Recourse on Default" herein.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Installment Purchase Agreement and the Trust Agreement, see "APPENDIX A – Summary of Principal Legal Documents" herein.

RISK FACTORS

The following factors, along with the risk factors set forth in the main body of this official statement under the heading "SPECIAL RISK FACTORS" and the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Installment Payments

The obligation of the City to make the Installment Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

The City is obligated under the Installment Purchase Agreement to pay the Installment Payments from the Revenues and the City has covenanted in the Installment Purchase Agreement that it will take such action as may be necessary to include all Installment Payments and Additional Payments due under the Installment Purchase Agreement in its annual budgets and to make necessary annual appropriations from the Revenues for all such payments.

The City may become liable on other obligations payable from the Revenues on a parity basis with the Installment Payments. See "THE INSTALLMENT PURCHASE AGREEMENT – Additional Obligations" herein. To the extent that additional obligations are incurred by the City, the funds available to make Installment Payments may be decreased. In the event the City's Revenues are less than the total obligations payable from the Revenues, the amounts available to make Installment Payments may be reduced.

The City's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the City to pay the Installment Payments when due. See "APPENDIX E – 1993 Senior Center Sublease and 1994 Public Improvements Sublease – Constitutional and Statutory Limitations on Taxes and Appropriations."

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain and the City does not replace the Project, the term of the Installment Purchase Agreement will cease as of the day possession is taken and the principal component of the Installment Payments will become due and payable if Revenues and the proceeds of an eminent domain award are sufficient to make such payments. If such amounts are insufficient, the Installment Purchase Agreement will continue in full force and effect and the City will continue to be liable for Installment Payments. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof is taken temporarily, under the power of eminent domain, (1) the Installment Purchase Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (2) if the City does not replace the Project, the net proceeds of the condemnation award will be applied to the partial prepayment of the Installment Payments and upon such prepayment there will be a proportionate reduction in the principal and interest components of the remaining payments.

Abatement

Installment Payments will not be reduced or abated in the event of damage or destruction of the Project or condemnation or a taking in eminent domain and the City has waived its right to terminate the Installment Purchase Agreement by virtue of such damage or destruction or taking; however, Installment Payments may be prepaid in the event of a taking in eminent domain as described above. The City is not required to maintain casualty insurance with respect to the Project therefor in the event the Project is destroyed, Installment Payments will not be abated nor prepaid from insurance proceeds, and the Installment Payments will continue to be payable from Revenues.

Passive Revenue Source

The Installment Payments are secured in part by a pledge by the City of Gas Tax Revenues. The City has no control over the amount of Gas Tax Revenues to be received by the City because (1) the amount of Gas Tax Revenues received by the City is based on State-wide fuel consumption and the City has no ability to control such consumption or to increase the rate at which such fuel is taxed within the State, and (2) the City has no control over the collection or distribution procedures related to any State taxes, including taxes levied in connection with fuel consumption. See “Delays and Statutory Changes with Respect to Gasoline Sale Tax” below.

Delays and Statutory Changes with Respect to Gasoline Sales Tax

2008-09 and 2009-10 Payment Delays. In fiscal year 2008-09, legislation was passed which delayed payment of gas tax revenues to local governments. Rather than making monthly payments, the State made payments only in September 2008 and in May 2009, without interest. In fiscal year 2009-10, payments have also been delayed. The City received its July through March payments in April 2010, its May payment was received as scheduled, and its June payment has not yet been received.

Gasoline Excise Tax Swap. In March 2010 as a part of a special budget session called by the Governor, the Legislature passed ABx8 6 and ABx8 9, which contains the provisions for a swap of state sales taxes on gasoline for a gasoline excise tax. The bills were signed into law the Governor. Effective July 1, 2010 this new law: 1. Repeals the state sales tax on gasoline (local rates are not affected); 2. Increases the excise tax on gasoline by 17.3 cents and adds an annual index that is intended to ensure the new excise tax keeps pace with the revenues expected from the sales tax on gas; 3. Increases the sales tax on diesel by 1.75 percent and allocates 75 percent to local transit agencies and 25 percent to state transit programs. The excise tax on diesel is reduced from 18 cents to 13.6 cents. Sales tax revenues from diesel must go to transit funding.

In fiscal year 2010-11, the revenues would be allocated as follows:

1. Transportation debt service;
2. $54 million monthly set aside for future appropriation by the legislature;
3. Remainder allocated:
    a. 50% State Transportation Improvement Program (STIP);
    b. 50% evenly split between cities and counties using current Highway User’s Tax formulas.

Beginning in fiscal year 2011-12 and subsequent years, the revenues will be allocated as follows:

1. Transportation debt service;
2. Remainder allocated:
    a. 44% STIP;
    b. 12% State Highway Operation and Protection Program (SHOPP), the state’s highway safety improvement program;
    c. 44% evenly split between cities and counties using current Highway User’s Tax formulas.

2010-11 Payment Delays. In March 2010, the Legislature passed legislation delaying a variety of state payments to local agencies as a way to deal with anticipated state cash flow problems in fiscal year 2010-11. AB5 8x contains provisions to delay a portion of the payments of monthly Highway Users Tax funds for the first nine months of fiscal year 2010-11 (July 2010 through March 2011) to be paid no later than April 28, 2011.

The City is not expecting to receive gas tax revenues from the State until the end of fiscal year 2010-11 and is budgeting accordingly. Measure C Funds and Local Transportation Funds are expected to be sufficient to make Installment Payments until Gas Tax Revenues are received. In addition, the City may, but is not required to, borrow money from its general fund to make Installment Payments until Gas Tax Revenues are received.

APPENDIX E

1993 SENIOR CENTER SUBLEASE
AND
1994 PUBLIC IMPROVEMENTS SUBLEASE

THE FINANCING PLAN

Generally

For the purpose of financing the public projects described below (collectively, the "Projects"), in 1993 and 1994, the City entered into two separate lease financings, whereby the City leased and subleased to and from the Authority, pursuant to Lease Agreements and Sublease Agreements (the "1993 Sublease" and the "1994 Sublease"), respectively, the real property and improvements constituting the Projects. In consideration of the financing of the Projects by the Authority with the proceeds of its bonds, pursuant to both Sublease Agreements, the City agreed to make semiannual rental payments to the Authority (the "Rental Payments"). The Authority assigned its rights in the Sublease Agreements, including its right to receive Rental Payments, to the trustee. Concurrent with the issuance of the Prior Bonds, the Authority terminated the prior assignments and entered into a 2000 Assignment Agreement in order to assign all rights in the Subleases to the trustee of the Prior Bonds. Under the Local Obligations Agreement, all rights, title and interests of Union Bank, N.A., as trustee for the Prior Bonds, in the Local Obligations, including the 1993 Sublease and the 1994 Sublease, will be transferred to the Trustee for the Bonds. See "SECURITY FOR THE BONDS – The Local Obligations" in the main body of this Official Statement.

The Projects

The public project financed in 1993 consisted of the remodeling and improvement of the Edwin Blayley Senior Center. The public project financed in 1994 consisted of the acquisition of the City Hall Annex, improvements to Water Well No. 6 and the expansion of a City sewer line to properties located in the northern City limit.

General Information About The City

General information regarding the City and Fresno County is set forth in Appendix B – "GENERAL INFORMATION ABOUT THE CITY OF FOWLER AND FRESNO COUNTY." Certain financial information with respect to the City is set forth below under the heading "CITY FINANCIAL INFORMATION."

THE SUBLEASE AGREEMENTS

The information contained herein describing certain provisions of the Sublease Agreements is a summary only and does not purport to be complete. Reference is hereby made to the Sublease Agreements for further information. Unless otherwise defined, terms used in this section shall have the same meaning as those terms have in the Sublease Agreements, copies of which are available from the Agency upon request.

Rental Payments

The 1993 Sublease and the 1994 Sublease (together, the "Sublease Agreements") require the City to make semiannual Rental Payments to the Trustee, as assignee of the Authority, on March 15 and September 15 of each year, which Rental Payments commenced on September 15, 1993 and September 15, 1994, respectively. Rental Payments still due under the Sublease Agreements are due in accordance with the Rental Payment Schedule set forth below, subject, however, to prepayment as described below.

RENTAL PAYMENT SCHEDULE

Year Ending September 15	1993 Principal	1993 Interest	1994 Principal	1994 Interest	Total
2010	$ 5,000.00	$11,575.00	$25,000.00	$7,470.00	$49,045.00
2011	5,000.00	11,185.00	25,000.00	5,695.00	46,880.00
2012	5,000.00	10,792.50	25,000.00	3,920.00	44,712.50
2013	5,000.00	10,400.00	30,000.00	2,145.00	47,545.00
2014	5,000.00	10,000.00	--	--	15,000.00
2015	10,000.00	9,600.00	--	--	19,600.00
2016	10,000.00	8,800.00	--	--	18,800.00
2017	10,000.00	8,000.00	--	--	18,000.00
2018	15,000.00	7,200.00	--	--	22,200.00
2019	15,000.00	6,000.00	--	--	21,000.00
2020	15,000.00	4,800.00	--	--	19,800.00
2021	15,000.00	3,600.00	--	--	18,600.00
2022	15,000.00	2,400.00	--	--	17,400.00
2023	15,000.00	1,200.00	--	--	16,200.00
Total	**$145,000.00**	**$105,552.50**	**$105,000.00**	**$19,230.00**	**$374,782.50**

Prepayment

Optional Prepayment. The 1993 Rental Payments and the 1994 Rental Payments are subject to optional prepayment in whole or in part on any date on or after September 15, 2009 from any available source of funds at a prepayment price equal to the principal amount to be prepaid plus accrued interest to the prepayment date and plus a redemption premium to be agreed to by the Authority and the City, provided that such redemption premium shall be in an amount at least sufficient to permit the Authority to pay principal and interest on all Bonds that will remain outstanding following redemption of Bonds with the proceeds of the Authority's prepayment, all as shall be confirmed in a Report of an Independent Accountant to be delivered to the Trustee together with such prepayment. Rental Payments prepaid in part will be applied against Rental Payments at the direction of the City, or in the absence of such direction, on a pro rata basis.

Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain. The City must prepay the Rental Payments, in whole or in part on any Rental Payment Date, from the net proceeds of insurance or condemnation award with respect to the Projects credited toward the prepayment of the Rental Payments pursuant to the Sublease Agreements. Such proceeds will be applied first to the payment of delinquent Rental Payments, if applicable, and thereafter to the prepayment of Rental Payments in full or in part at the direction of the City, or in the absence of such direction, on a pro rata basis.

Effect of Prepayment. Upon providing for prepayment in full of the Rental Payments, the City's obligations under the Sublease Agreement shall cease and terminate.

SECURITY AND SOURCES OF PAYMENT FOR THE RENTAL PAYMENTS

Covenant to Appropriate Funds for Rental Payments

The City has covenanted in the Sublease Agreements to take such action as may be necessary to include all Rental Payments in each of its annual budgets and to make the necessary annual appropriations for all such Rental Payments and additional rental, as provided in the Sublease Agreements.

Abatement

Rental Payments are to be paid by the City in each rental period for and in consideration of the right to use and occupy the Projects during each such period. The amount of Rental Payments may be abated during any period in which by reason of damage or destruction (other than by eminent domain) there is substantial interference with the use and occupancy by the City of the Projects or any portion thereof. The amount of such abatement will be such that the resulting Rental Payments represent fair consideration for the use and occupancy of the portions of the Projects not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Sublease Agreements will continue in full force and effect. There will be no abatement of Rental Payments under the Sublease Agreements to the extent that the proceeds of casualty insurance maintained by the City with respect to the Projects are available to pay Rental Payments which would otherwise be abated or in the event that the Rental Payments continue to represent fair consideration for the use and occupancy of the portions of the Projects not damaged or destroyed.

History of Payment

The City was unable to make its debt service payment on the 1994 Sublease in September 1996. Accordingly, the Trustee for the 1994 Bonds withdrew amounts on deposit in the 1994 Reserve Fund to make the corresponding debt service payment on the 1994 Bonds. **Subsequent to such date, the City has made all required payments under the 1994 Lease Agreement.** See "SECURITY FOR THE BONDS – The Local Obligations" in the front half of this Official Statement.

Action on Default

Should the City default under the Sublease Agreements, the Trustee, as assignee of the Authority, may exercise any and all remedies available pursuant to law or granted pursuant to the Sublease agreements. The Authority and the Trustee (as assignee of the Authority) have the right to re-enter or re-let the Projects and to terminate the Sublease Agreements. See "RISK FACTORS - Limited Recourse on Default; No Acceleration."

Rental Payments

For the right to the use and occupancy of the Projects, each of the Sublease Agreements requires the City to make Rental Payments. Scheduled Rental Payments relating to the 1993 and the 1994 Sublease Agreements are set forth above under the heading "RENTAL PAYMENT SCHEDULE."

THE OBLIGATION OF THE CITY TO MAKE THE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Additional Rental

The City is obligated under the 1994 Sublease Agreement to pay when due, during the term of the 1994 Sublease Agreement, in addition to the Rental Payments, Additional Rental, which consist of all costs and expenses of the Authority in connection with the 1994 Sublease, the 1994 Lease or its interests in the 1994 Project and the lease of the 1994 Project by the Authority. The 1993 Sublease does not require additional consideration above the stated Rental Payments.

Insurance

Fire and Extended Coverage Insurance. The City agrees to maintain throughout the terms of the Subleases insurance against loss or damage to any structure or personal property constituting any part of the Projects by fire, lightening, with extended coverage insurance, vandalism and malicious mischief insurance, and sprinkler system leakage insurance and boiler explosion insurance. Such insurance shall cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance and shall be in the amount of the lesser of (i) replacement cost (however, such insurance may be subject to deductible clauses for any one loss of not to exceed $50,000) and (ii) the amount necessary in the event of total or partial loss to enable all remaining Rental Payments to be paid. As an alternative, the City may provide a self-insurance method or plan of protection.

Liability Insurance; Workers' Compensation. The City agrees to maintain throughout the terms of the Subleases a standard comprehensive general liability (including automobile liability) insurance policy or policies in protection of the Authority and its directors, officers, agents and employees, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Projects, with minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or death of two or more persons in each accident or event, and in a minimum amount of $200,000 (subject to a maximum $50,000 deductible) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks, or part of or in conjunction with any other liability insurance carried by the City. As an alternative, the City may provide a self-insurance method or plan of protection. The City agrees under the Subleases to comply at all times with the Workers' Disability Compensation Law.

Net Proceeds; Form of Insurance. All proceeds of such insurance must be payable to the Authority as and to the extent required under the Sublease Agreements. The Authority shall collect and receive all monies which may become due and payable under such policies and may compromise any and all claims thereunder and shall, if applicable, apply such proceeds to the repair, reconstruction or replacement of any portions of the Projects damaged or destroyed or to the prepayment of Rental Payments in accordance with the Sublease Agreements.

Substitution of Projects

Pursuant to the Lease Agreements, the City has the option at any time to substitute all or a portion of the Projects with other public facilities and real property owned by the City provided that the City (i) obtains the consent of the Authority, (ii) obtains a certificate of an independent real estate appraiser that the substituted facilities and/or real property have the same or greater fair market value than that of the substituted Projects and that the Rental Payments being made by the City will not be reduced, (iii) the City certifies that the substituted facilities and/or real property have similar or greater essentiality of use and the equivalent or greater useful life as the substituted Projects, and (iv) an opinion of Bond Counsel that such substitution does not cause, in and of itself, the interest components of the Rental Payments to be included in gross income for federal income tax purposes.

CITY FINANCIAL INFORMATION

The following selected financial information provides a brief overview of the City's finances. This financial information has been extracted from the City's audited financial statements and, in some cases, from unaudited information provided by the City's Finance Department. The most recent audited financial statements of the City with an unqualified auditor's opinion is included as Appendix K hereto. See "APPENDIX K – Audited Financial Statements of the City for the Year Ended June 30, 2009."

General information regarding the City and Fresno County is set forth in Appendix B – "GENERAL INFORMATION ABOUT THE CITY OF FOWLER AND FRESNO COUNTY."

Accounting Policies and Financial Reporting

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

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she determines, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published. The City's Independent Auditor's Report for fiscal year 2008-09 was prepared by Borchardt, Corona & Faeth Accountancy Corporation, Fresno, California (the "Auditor"). *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit of the financial condition of the City*.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iii) required supplementary information. The City's financial statements are prepared in conformance with the requirements of Statement No. 34.

General Fund Financial Summary

Set forth below are excerpts from the City's general fund financial statements for fiscal years 2006-07 through 2008-09, the three most recent fiscal years for which audited financial statements are available. Also shown are estimated actuals for fiscal year 2009-10 and budgeted figures for fiscal year 2010-11.

Table E-1
CITY OF FOWLER
General Fund
Audited Revenues, Expenditures and Fund Balances
(Fiscal Year Ending June 30)

	Actual 2006-07	Actual 2007-08	Actual 2008-09	Estimated Actual 2009-10	Budgeted 2010-11
REVENUES:					
Taxes	$2,239,832	$2,119,793	$2,283,064	$1,826,565	$2,075,000
Licenses and permits	351,722	243,547	99,466	163,263	117,350
Fines and penalties	34,563	37,110	27,060	20,252	17,500
Revenue from use of money and property	81,463	68,013	31,062	14,131	12,500
Charges for services[1]	614,968	659,796	673,850	707,139	705,750
Intergovernmental revenue	128,150	127,305	71,519	141,044	100,000
Miscellaneous	433,884	169,707	330,349	215,892	40,500
TOTAL REVENUES	3,884,582	3,425,271	3,516,370	3,088,286	3,068,600
EXPENDITURES:					
General government	787,895	985,922	1,332,341	698,122	699,947
Public safety	1,073,232	1,356,245	1,422,675	1,408,842	1,313,127
Public works	510,171	570,836	587,617	938,187	332,352
Community development	492,788	468,916	528,555	277,273	227,788
Parks and recreation	185,325	182,414	181,686	147,804	91,150
Contractual services[1]	429,122	413,361	--	574,500	550,000
Capital outlay	741,847	351,757	80,605	--	--
Debt service			--	--	--
Bond fees	9,408	7,381	--	5,000	--
TOTAL EXPENDITURES	4,229,788	4,336,832	4,133,479	3,942,480	3,264,364
Excess (Deficiency) of Revenues Over Expenditures	(345,206)	(911,561)	(627,169)	(854,194)	(195,964)
Other Financing Sources (Uses):					
Operating Transfers In[2]	459,215	115,271	507,933	573,357	148,800
Operating Transfers Out	--	--	(11,337)	--	--
Other Financing Uses	--	--	(10,060)	--	--
Total Other Financing Sources (Uses)	459,215	115,271	486,536	573,357	148,800
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	114,009	(796,290)	(130,573)	(280,837)	(46,815)
Fund Balance, Beginning	1,141,506	1,255,515	459,225	328,652	47,815
Fund Balance, Ending	$1,255,515	$459,225	$328,652	$47,815	$851

(1) Approximately 83.3% of Charges for Services are derived from garbage collection fees which are remitted to a private waste hauler as a contractual services expense, less a 5% administration fee retained by the City.
(2) Consists of (a) $400,000 in street improvements funds received pursuant to Proposition 1B in 2007-08 and designated for street improvements included as part of "Public Works" expenditures for 2009-10, (b) $182,100 in Measure C and Gas Tax Revenues pledged to payment of the City's 1993 Merced Street Improvement Obligation (see Appendix D attached to this Official Statement), (c) $165,162 in Utility Users Tax revenues for salary transfers.
Source: City Audited Financial Statements; City of Fowler for fiscal year 2009-10.

Table E-2
CITY OF FOWLER
General Fund Balance Sheet
(As of June 30)

	Actual 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09
ASSETS:				
Cash and cash equivalents	$2,271,217	$2,216,861	$1,679,950	$1,758,572
Accounts receivable	88,513	262,702	81,035	79,762
Interest receivable	6,797	--	--	--
Due from other funds	35,009	60,065	60,065	60,065
Due from other agencies	--	--	--	--
Advances to other funds	--	--	--	--
Prepaid deposits	95,556	95,556	95,556	39,026
Property held for sale	--	--	--	--
Total assets	2,497,092	2,635,184	1,916,606	1,937,425
LIABILITIES:				
Cash deficit	--	--	--	--
Accounts payable	11,382	19,174	91,379	239,145
Accrued liabilities	2,608	4,362	--	--
Due to other funds	--	--	--	--
Due to other agencies	--	--	--	--
Advances from other funds	1,317,588	1,317,588	1,317,588	1,317,588
Compensated absences	24,008	38,545	48,414	52,040
Total liabilities	1,355,586	1,379,669	1,457,381	1,608,773
FUND BALANCES				
Reserved for:				
Special purpose	981,318	1,090,371	1,282,632	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Unreserved	160,188	165,144	(823,407)	328,652
Total fund balances	1,141,506	1,255,515	459,225	328,652
Total liabilities and fund balances	$2,497,092	$2,635,184	$1,916,606	$1,937,425

Source: City Audited Financial Statements.

Management's Discussion. Over the past four years, the City's general fund expenditures have exceeded the revenues. The general fund deficits have resulted in a significant reduction in City reserves. The City has no written policy regarding reserves but strives to increase reserve amounts whenever the budget allows. The City is responding to the general fund deficits by significantly cutting expenditures in 2009-10 and expects to implement additional cuts in 2010-11. A one time spike in general fund – general government expenditures in 2008-09 was the result of temporary increased engineering expenses. The City cut the engineering expenses by two-thirds in 2009-10 and expects to cut those expenses in half again in 2010-11. The City has adopted its budget for 2010-11 and made the cuts necessary to avoid a general fund deficit in the current fiscal year.

Budgetary Process

Formal budgetary integration is employed as a management device during the year for all Governmental Fund types and Proprietary Fund types. Budgets are adopted annually on a basis consistent with generally accepted accounting principles. The City Council approves the line item budget appropriations and also approves additions or transfers of budgeted amounts.

The City Council receives monthly financial reports. Unused appropriations for all annually budgeted funds lapse at the end of the year.

Sales and Use Taxes

Sales and use taxes accounted for approximately 18% of the City's general fund revenues in 2009-10. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The total sales tax rate within the City is currently 8.975%. The proceeds of sales and uses taxes imposed within the City are distributed by the State to various agencies, with the City receiving 1.0% of the amount collected less 0.25% shifted to the State pursuant to a mechanism commonly known as "Triple Flip." The 0.25% reduction in local sales tax is used to pay State economic recovery bonds, but cities and counties are then provided with *ad valorem* property tax revenues in lieu of these revenues. See "RISK FACTORS – Impact of State Sales and Use Tax Redirection."

Collection of the sales and use tax is administered by the California State Board of Equalization. Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter. The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

In the first half of Fiscal Year 2009-10, revenues from sales and use taxes declined 35% from the first half of Fiscal Year 2008-09.

Total taxable transactions in the City during the first quarter of calendar year 2009 were estimated to be $21,607,000, a 26.08% decrease over the total taxable transactions of $29,232,000 that were estimated during the first quarter of calendar year 2008. A summary of historic taxable sales within the City during the past five calendar years is shown in the following table. Annual figures for 2009 are not yet available.

Table E-3
CITY OF FOWLER
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Figures in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	46	34,044	105	86,996
2005	54	41,463	111	115,622
2006	58	46,245	113	111,942
2007	64	50,151	119	116,273
2008	67	55,641	124	120,275

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Utility Users Tax

The City imposes a 5% tax on users of gas, electricity, telephone and water, as well as cellular telephone services for billing addresses within the City. This utility users tax accounted for approximately 8.9% of general fund revenues in 2009-10. The tax is not applicable to State, County, or City agencies, or to insurance companies and banks. Some of the factors affecting this revenue stream include consumer demand for these utilities, legislative and regulatory action, rate changes, and the evolution of technology. Telecommunications and cable generated approximately 11.3% of this revenue in Fiscal Year 2009-10, with revenue from gas and electricity usage generating approximately 88.7%. Electricity rates are expected to remain stable, with steady increases anticipated over the next several years; gas prices have been volatile, although an increase in rates is also anticipated. In the first half of Fiscal Year 2009-10, revenues from utility users taxes declined 6.9% from the first half of Fiscal Year 2008-09.

Property Taxes

Tax Levies and Collections. Property taxes account for approximately 6.7% of the City's general fund revenues. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. A supplemental roll is developed when property changes hands which produces additional revenue.

A ten percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1st of the fiscal year, and a lien is recorded against the assessee. 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 Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recording in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within that county's taxing boundaries.

The following is a table summarizing the historical and current assessed valuation of the taxable property in the City.

Table E-4
CITY OF FOWLER
Assessed Value of Taxable Property

	Locally Secured	Utility	Unsecured	Total Before Rdv. Increment
2000-01	$140,336,275	$132,200	$16,419,220	$156,887,695
2001-02	150,216,233	144,736	17,243,011	167,603,980
2002-03	161,714,640	139,349	21,880,322	183,734,311
2003-04	172,322,366	159,137	24,132,241	196,613,744
2004-05	184,287,065	198,573	24,326,132	208,811,770
2005-06	222,454,312	185,221	24,334,977	246,974,510
2006-07	251,829,364	152,285	25,849,599	277,831,248
2007-08	324,789,612	0	29,148,029	353,937,641
2008-09	340,720,234	0	26,818,015	367,538,249
2009-10	319,340,338	0	31,583,375	350,923,713

Source: California Municipal Statistics, Inc.

Fresno County has elected to follow the procedures of Sections 4701 et seq. of the California Revenue and Taxation Code, known as the "Teeter Plan", as to general taxes entered and collected on the secured tax roll. Under the Teeter Plan, the County remits tax revenues to the respective taxing agencies, without regard to the amounts actually collected and without regard to any delinquencies. However, because the City does not participate in Fresno County's Teeter Plan, the City receives actual amounts of taxes collected.

Table E-5
CITY OF FOWLER
Secured Tax Charges and Delinquencies

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
1999-00	$1,284,187.94	$ 23,719.48	1.85%
2000-01	1,421,586.60	20,983.32	1.48
2001-02	1,550,721.70	48,269.37	3.11
2002-03	1,667,334.52	57,383.17	3.44
2003-04	1,827,109.76	59,337.62	3.25
2004-05	1,934,256.20	47,459.56	2.45
2005-06	2,326,806.92	53,829.28	2.31
2006-07	2,723,094.84	61,727.75	2.27
2007-08	3,520,601.84	158,492.79	4.50
2008-09	3,502,555.54	163,662.62	4.67

(1) All taxes collected by the County within the City.
Source: California Municipal Statistics, Inc.

Table E-6
CITY OF FOWLER
Top Twenty Local Secured Taxpayers
Fiscal Year 2009-10

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total (1)
1.	Sunshine Raisin Corporation (2)	Packing House	$15,458,998	4.84%
2.	Bee-Sweet Citrus Inc. (2)	Packing House	14,537,688	4.55
3.	Del Valle Capital Corporation Inc.	Residential Development	6,137,197	1.92
4.	Albert M. Tapper	Light Industrial	4,816,745	1.51
5.	5198 Fowler LP	Residential Development	4,777,546	1.50
6.	Shiv Hotels LLC	Commercial	3,521,754	1.10
7.	Tjerrild & Tjerrild	Warehouse	3,285,530	1.03
8.	PPS Packaging Company	Warehouse	3,208,396	1.00
9.	Simonian Brothers Inc.	Warehouse	3,202,973	1.00
10.	Martin J. & Michelle A. Maderosian, Trust	Restaurant	3,151,545	0.99
11.	Armon Irene Boghosian	Warehouse	2,468,082	0.77
12.	Roger & Jo Ellen Anthony, Trustees	Warehouse	2,362,949	0.74
13.	D.R. Horton Inc.	Residential Development	2,344,761	0.73
14.	Arturo L. & T. Ramirez	Garage	2,303,243	0.72
15.	Mats Ove Andersson	Warehouse	2,240,104	0.70
16.	G3 Development Company	Residential Development	2,056,620	0.64
17.	N.T. Hill Inc.	Residential Development	1,883,239	0.59
18.	Port Properties LLC	Truck Terminal	1,827,668	0.57
19.	Jacob Belemijian	Warehouse	1,758,432	0.55
20.	JST LLC	Restaurant	1,699,412	0.53
			$83,042,882	26.00%

(1) 2009-10 Local Secured Assessed Valuation: $319,340,338.
(2) See Appendix G – "2000 REASSESSMENT BONDS" for a brief discussion of these property owners.
Source: California Municipal Statistics, Inc.

Appeals of Assessed Value. There are two types of appeals of assessed values that could adversely impact property tax revenues within the City.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Recent Reductions in Assessments. According to the County Assessor's Office, The County Assessor reviewed residential properties purchased between January 1, 2001 and January 1, 2009 for Proposition 8 reductions. As a result of the review, the assessed values of 70,000 properties were reduced by the Assessor's Office as of the lien date, January 1, 2009, to reflect changes in market conditions. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the City.

Other General Fund Revenues

In addition to sales and use taxes, charges for services, property taxes and the utility users' taxes, the City has several other revenue sources. The City imposes a business license tax on all businesses in the City. The annual tax is generally determined based on the type of business and the business's gross receipts. The business license tax rate varies between $0.60 per $1000 gross receipts for grocers, on the low end, and $10.81 per $1000 gross receipts for rental of real property on the high end. The City also collects a 1.5% property transfer tax on the value of any documented sale or transfer of real property within the City. The tax is due when the transfer is recorded with the County, and title companies collect the tax as part of the sale closing process and remit the funds to the County when sales or transfers are finalized. The County remits the amounts due monthly, and the amounts are credited to the general fund. The City also receives State funds to back-fill vehicle license fees ("**VLF**") imposed for the operation of vehicles on state highways that are collected by the State Department of Motor Vehicles in lieu of personal property taxes on vehicles. In connection with the offset of the VLF, the State Legislature authorized appropriations from the State General Fund to "backfill" the offset so that local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues.

Retirement Programs

California Public Employees' Retirement System. The City contributes to the California Public Employees' Retirement System ("**CalPERS**"): the Safety Plan and the Miscellaneous Plan. The Safety Plan covers all of the City's full-time sworn uniformed fire employees, sworn uniformed police employees, and all chiefs in both departments. The Miscellaneous Plan covers all remaining eligible employees. As of June 30, 2008, the date of the most recent actuarial report, the City had 31 active members and 18 retirees under CalPERS. Part-time and hourly employees working less than half time are excluded from CalPERS participation. Safety and Miscellaneous Plan members are required to contribute 9% and 8% of their annual covered salary, respectively. The City covers the required employee contributions of the members. The required employer contribution rate for the Fiscal Year ended June 30, 2009 was 21.637% for the Safety Plan and 15.358% for Miscellaneous Plan.

As of June 30, 2008, the date of the most recent actuarial report, the CalPERS Plan was 84.14% funded. The actuarial accrued liability for benefits was $3,578 million, and the actuarial value of the assets was $3,047 million resulting in an unfunded actuarial accrued liability ("**UAAL**") of approximately $532 million. Since the date of the actuarial valuations, the equity markets have experienced significant turmoil, increased volatility, and general declines in value.

CalPERS announced an almost 25% loss ($56.8 billion) for the fiscal year ended June 30, 2009; it reported a $8.5 billion loss for the fiscal year ended June 30, 2008. Since 2005, CalPERS has adopted a smoothing model to apply the impacts of investment losses and gains over a 15-year period. CalPERS expects participant contribution rates to increase as a result of market losses widening the spread between plan assets and pension obligations. The 2007-08 losses will affect contribution rates in 2010-11, and the 2008-09 losses will not be applied until 2011-12. No appraisal has yet been made by CalPERS or the City regarding the impact of 2008-09 market disruptions on the value of plan assets.

For Fiscal Year 2008-09, the City's total annual pension cost was $284,560, which was fully contributed. Based on the City's Fiscal Year 2008-09 Financial Statements, the three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	$210,081	100%	–
6/30/2008	273,220	100	–
6/30/2009	284,560	100	–

Outstanding General Fund Debt and Lease Obligations

Other than the 1993 Sublease and the 1994 Sublease, the City currently has no outstanding long-term debt payable from the General Fund.

Direct and Overlapping Debt

Contained within the City are overlapping local agencies providing public services which have issued general obligation bonds and other types of indebtedness. Direct and overlapping bonded indebtedness as of May 1, 2010 is shown in the following table.

Table E-7
CITY OF FOWLER
Statement of Direct and Overlapping Debt

2009-10 Total Assessed Valuation:	$350,923,713
Redevelopment Incremental Valuation:	123,103,248
Adjusted Assessed Valuation:	$227,820,465

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/10
State Center Community College District	0.376%	$ 427,042
Fowler Unified School District	20.626	4,864,638
City of Fowler 1915 Act Bonds	100.	1,439,314
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$6,730,994
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Fresno County General Fund Obligations	0.413%	$ 355,944
Fresno County Pension Obligations	0.413	2,045,043
City of Fowler Certificates of Participation	**100.**	**250,000**(1)
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,650,987
COMBINED TOTAL DEBT		$9,381,981

(1) Includes 1993 Sublease and 1994 Sublease.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 1.92%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($250,000)............................0.11%
Combined Total Debt 4.12%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

Investment of City Funds

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on quarterly average cash and investment balances in each fund. The City may invest its funds in they types of investments authorized by State law. Investments primarily consist of deposits in the Local Agency Investment Fund.

RISK FACTORS

The following factors, along with the risk factors set forth in the body of this official statement under the heading "SPECIAL RISK FACTORS" and the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Certificates. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Sublease Agreements

The obligation of the City to make the Rental Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Sublease Agreements do not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated, subject to abatement, under the Lease Agreements to pay the Rental Payments from any source of legally available funds and the City has covenanted in the Lease Agreements that it will take such action as may be necessary to include all Rental Payments and Additional Payments, as applicable, due under the Sublease Agreements in its annual budgets and to make necessary annual appropriations for all such rental payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Rental Payments.

The City has the capacity to enter into other obligations that may constitute additional charges against its revenues. To the extent that the City incurs additional obligations, the funds available to make Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Rental Payments and other payments due under the Lease Agreements.

The City's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the City to pay the Rental Payments when due. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Eminent Domain

If the Projects are taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Sublease Agreements will cease as of the day possession is taken. If less than all of the Projects are taken permanently, or if the Projects or any part thereof is taken temporarily, under the power of eminent domain, (1) the Sublease Agreements will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Rental Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Rental Payments such that the resulting Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Projects.

Abatement

The amount of Rental Payments will be subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the City of the Projects. The amount of such abatement will be agreed upon by the City and the Authority such that the resulting Rental Payments represent fair consideration for the use and occupancy of the portions of the Projects not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Sublease Agreements will continue in full force and effect. However, there will be no abatement of Rental Payments to the extent that the proceeds of an eminent domain or insurance award are available to pay Rental Payments.

Under the Sublease Agreements, the City and the Authority agree that the total rental due under the Sublease Agreements does not exceed the estimated fair rental values of the Projects as of the date of the Sublease Agreements. In the event a portion of the Project is damaged or destroyed, it is possible that Rental Payments would continue to represent fair consideration for the use and occupancy of the portions of the Project not damaged or destroyed. Further, if the City elects to use insurance proceeds to repair the Projects, it has covenanted to complete such repair within two years following said damage or destruction, thereby minimizing the period of any abatement of the Rental Payments.

Limited Recourse on Default; No Acceleration

If the City defaults on its obligation to make Rental Payments, there is no available remedy of acceleration of the total Rental Payments due over the term of the Sublease Agreement. The City will only be liable for Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Lack of Title Insurance

The City is not required to obtain title insurance with respect to the real property components of the Projects which are subject to the Lease Agreements and the Sublease Agreements, and as of this date, have not obtained such title insurance nor have the documents been recorded in the Fresno County recorder's office. Investors should be aware that if the City's title to such property was challenged and it was determined that the City did not have the legal right to use and possess such property, the Lease Agreements and the Sublease Agreements would have no further legal effect and proceeds of title insurance would not be available to prepay any Rental Payments remaining thereunder. In addition, the City may have subsequently encumbered the Projects and since the Lease Agreements and Sublease Agreements have not been recorded, subsequent parties which have taken an interest in the Projects, if any, might have a claim against the Projects which is given a higher priority than that of the Trustee.

Geologic, Topographic and Climatic Conditions

The value of the Leased Property, and the financial stability of the City, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and landslides), climatic conditions (such as droughts) and fires.

Impact of Sales and Use Tax Redirection

As described above in "CITY FINANCIAL INFORMATION", the State will temporarily redirect local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its "economic recovery" bonds; the State will increase local governments' share of local property tax by a corresponding amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues to pay Rental Payments. First, there may be a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Second, it is possible that the fees charged by the County for property tax administration, which are subtracted from property tax revenue collected by the County before it is allocated to the City, could increase as a result of the various tasks required of the County by the redirection. In addition, the State Board of Equalization administration fee is likely to increase as a percentage of local sales and use tax received by the City unless the State Board of Equalization reduces its fee, which it is unlikely to do because the cost of collecting the sales and use taxes on a per-transaction basis will not go down.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make Rental Payments, the City may not know the exact amount of revenue available to pay Rental Payments.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the State Constitution

Article XIIIA of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section l(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section l(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) 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 and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIIIA defines "**full cash value**" to mean the county assessor's valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See "Litigation Relating to Two Percent Limitation" below. Legislation implementing Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIIIA, which is $1.00 per $100 of assessed market value.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIB of the State Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "**appropriations limit**" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "**proceeds of taxes**," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

For Fiscal Year 2008-09 the City's appropriations limit was $5,373,984 and its actual appropriations were approximately $4,133,479. The City's appropriations limit for Fiscal Year 2009-10 is approximately $5,513,286. The City is subject to and is operating in conformity with Article XIIIB.

Article XIIIC and XIIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 continues to undergo interpretation by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which 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.

None of the property-related fees or assessments currently collected by the City are deposited in the General Fund.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay Rental Payments could be adversely affected.

Proposition 62

Proposition 62 was a statutory initiative adding Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *City and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior approval, the amount thereof must be withheld from the levying entity's allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, 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 motor vehicle license fee 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.

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

See the section entitled "SPECIAL RISK FACTORS – Impact of State Budget" in the front half of this Official Statement for information about the State's fiscal year 2009-10 and 2010-11 budgets and a shift of local property revenues under Proposition 1A (which must be repaid within three years).

Future Initiatives

Article XIIIA, Article XIIIB, XIIIC and XIIID were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues

APPENDIX F

1994 WATER OBLIGATION

$620,000
FOWLER REDEVELOPMENT AGENCY
1994 FARMERS HOME LOAN LEASE FINANCING

THE FINANCING PLAN

Generally

In order to finance the construction and installation of improvements to the municipal water system in the City of Fowler (the "Project"), in 1988 the City conveyed the real property upon which the Project was to be constructed to the Redevelopment Agency and the Redevelopment Agency issued its Revenue Bonds, Issue of 1988 in the principal amount of $794,000 (the "1988 Bonds") and applied the proceeds thereof to the Project. In connection therewith, the Redevelopment Agency and the City entered into a Water Facilities Lease and Redevelopment Agreement (the "1988 Lease"), whereby the Redevelopment Agency granted the City the right to operate and maintain the Project and the City agreed to make lease payments therefor from certain income received by the City attributable to the operation of the City's water system (the "Net Revenues").

In order to refinance the 1988 Bonds and the 1988 Lease, the Redevelopment Agency borrowed the principal amount of $800,000 from the Authority pursuant to a Loan Agreement, dated as of March 29, 1994 (the "1994 Loan Agreement"). Under the 1994 Loan Agreement, the Authority loaned a portion of the proceeds of its Bonds to the Redevelopment Agency and the Redevelopment Agency pledged rental payments payable to it by the City (the "Rental Payments") pursuant to a Lease Agreement dated as of March 29, 1994 (the "1994 Lease Agreement"). Under the 1994 Lease Agreement, the City pledged Net Revenues to the Rental Payments due to the Redevelopment Agency, and pursuant to an Assignment Agreement, dated as of March 29, 1994, the Redevelopment Agency assigned its right to receive Loan Payments to the Trustee. Concurrent with the execution and delivery of the Prior Bonds, the Redevelopment Agency terminated the 1994 Assignment and assigned its right to the Loan Payments to the Bond Trustee.

The Water System

The area served by the Water System encompasses approximately 2.0 square miles and contains all of the existing territory serviced by the Water System. The Water System is primarily residential in character with interspersed agricultural, commercial and industrial uses. The City currently employs five employees with the responsibility of providing administration, engineering, field operations, maintenance services and conservation.

THE 1994 LEASE AND THE 1994 LOAN AGREEMENT

The information contained herein describing certain provisions of the 1994 Lease Agreement and the 1994 Loan Agreement is a summary only and does not purport to be complete. Reference is hereby made to such documents for further information. Unless otherwise defined, terms used in this section shall have the same meaning as those terms have in the 1994 Lease Agreement and the 1994 Loan Agreement, respectively, copies of which are available from the City upon request.

General Provisions

Pursuant to the 1994 Lease Agreement, the City leases the Project from the Redevelopment Agency and pays Base Rental Payments plus any Additional Rental Payments due thereunder from Net Revenues. All such Rental Payments have been pledged and assigned by the Redevelopment Agency under the 1994 Loan Agreement to the Authority to be applied to the payment of all Loan Installments due under the 1994 Loan Agreement.

"Net Revenues" are defined in the 1994 Lease Agreement as, for any Fiscal Year or other period, the Gross Revenues during such Fiscal Year or period less the Maintenance and Operation Costs during such Fiscal Year or period. "Gross Revenues" is all gross income and revenue received by the City from the ownership and operation of the Water System. "Maintenance and Operation Costs" are the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order.

Under the 1994 Lease Agreement, the City has covenanted to levy and collect user rates, fees and charges sufficient to pay the Maintenance and Operation Costs and Loan Installments when due. The City has established a Water Enterprise Fund into which Gross Revenues are deposited. Within such Fund, the City has established a Debt Service Account which is held separate and apart from all other funds and accounts of the City. Under the 1994 Lease Agreement, the City is required to deposit into the Debt Service Account sufficient Net Revenues when received in order to make Base Rental Payments.

Base Rental Payments; Loan Installments

The 1994 Lease Agreement requires the City to make semiannual Base Rental Payments on March 15 and September 15 of each year, which Base Rental Payments commenced on September 15, 1994 and are payable to and including September 15, 2023. Loan Installments payable by the Redevelopment Agency to the Authority correspond in time and amount with the Base Rental Payments, subject, however, to prepayment as described below.

Annual Payment Schedule

Year Ending September 15	Principal	Interest	Total
2010	$25,000	$17,875	$42,875
2011	25,000	16,500	41,500
2012	25,000	15,125	40,125
2013	25,000	13,750	38,750
2014	25,000	12,375	37,375
2015	25,000	11,000	36,000
2016	25,000	9,625	34,625
2017	25,000	8,250	33,250
2018	25,000	6,875	31,875
2019	20,000	5,500	25,500
2020	20,000	4,400	24,400
2021	20,000	3,300	23,300
2022	20,000	2,200	22,200
2023	20,000	1,100	21,100
TOTAL	$325,000	$127,875	$452,875

Prepayment Provisions

Optional Prepayment. Loan Installments are subject to optional prepayment in whole or in part on any date on or after September 15, 2009 from any available source of funds at a prepayment price equal to the principal amount to be prepaid plus accrued interest to the prepayment date and plus a redemption premium to be agreed to by the Authority and the City, provided that such redemption premium shall be in an amount at least sufficient to permit the Authority to pay principal and interest on all Bonds that will remain outstanding following redemption of Bonds with the proceeds of the Authority's prepayment, all as shall be confirmed in a Report of an Independent Financial Consultant to be delivered to the Trustee together with such prepayment. Loan Installments prepaid in part will be applied against Loan Installments at the direction of the City, or in the absence of such direction, on a pro rata basis.

Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain. The City must prepay the Installment Payments, in whole on any date or in part on any Rental Payment Date, from the Net Proceeds of insurance or condemnation award with respect to the Project credited toward the prepayment of the Base Rental Payments pursuant to the 1994 Lease Agreement. Such proceeds will be applied first to the payment of delinquent Base Rental Payments, if applicable, and thereafter to the prepayment of Base Rental Payments in full or in part at the direction of the City, or in the absence of such direction, on a pro rata basis.

Effect of Prepayment. Upon providing for prepayment in full of the Base Rental Payments, the City's obligations under the 1994 Lease Agreement shall cease and terminate. Upon providing for prepayment in part, the principal and interest of Base Rental Payments will be reduced at the direction of the City or in the absence of such direction, on a pro rata basis.

Additional Obligations

The Redevelopment Agency has covenanted under the 1994 Loan Agreement that until the Loan has been defeased, paid and discharged, the Redevelopment Agency will not issue any bonds, notes or other obligations or enter into any agreement or otherwise incur any loans, advances or indebtedness secured by a lien on all or any part of the Rental Payments superior to or on a parity with the lien established under the 1994 Loan Agreement. The 1994 Lease Agreement does not limit the ability of the City to incur additional obligations payable from the Revenues.

SECURITY FOR THE 1994 LOAN INSTALLMENTS

Pledge of Net Revenues

The Loan Installments are secured by an irrevocable pledge, charge and lien on the Rental Payments received from the City under the 1994 Lease Agreement. The City has covenanted in the 1994 Lease Agreement to make all Lease Payments from the Net Revenues. The Rental Payments are secured by an irrevocable pledge, charge and first and prior lien on the Net Revenues, and Net Revenues sufficient to pay the Rental Payments are pledged, charged, assigned and transferred and set over to the Redevelopment Agency and the Trustee, as it assigns, for the purpose of securing the Rental Payments.

The City has covenanted to do all things lawfully within its power to obtain, maintain and properly request and pursue collection of the Net Revenues. The obligation to make Rental Payments is a special obligation of the City limited solely to Net Revenues. Under no circumstances is the City obligated to advance any monies derived from any source of income other than Net Revenues, nor are other funds or property of the City liable for the payment of Rental Payments. The City has covenanted in the Installment Purchase Agreement to take such action as may be necessary to include all Rental Payments due in each Fiscal year in its budget for that Fiscal Year and to make the necessary annual appropriations therefore, but only from Net Revenues.

THE OBLIGATION TO MAKE RENTAL PAYMENTS AND LOAN INSTALLMENT PAYMENTS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE REDEVELOPMENT AGENCY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY, THE REDEVELOPMENT AGENCY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY, THE REDEVELOPMENT AGENCY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The City has established the Water Enterprise Fund and the Debt Service Account within such Fund into which it deposits Net Revenues in order to make Base Rental Payments to the Trustee on each Payment Date. Amounts on deposit in the Debt Service Account shall be used solely to pay or prepay the Base Rental Payments and to make any other payments or deposits required under the 1994 Lease Agreement.

History of Payment

The City was unable to make its debt service payment in September, 1996. Accordingly, the Trustee for the 1994 Bonds withdrew amounts on deposit in the 1994 Reserve Fund to make the corresponding debt service payment on the 1994 Bonds. **Subsequent to such date, the City has made all required payments under the 1994 Lease Agreement.** See "HISTORY OF PRIOR BONDS."

Revenues

As described above under the heading "THE 1994 LEASE AGREEMENT AND THE 1994 LOAN AGREEMENT – Generally", Rental Payments payable by the City under the 1994 Lease Agreement, which are applied by the Redevelopment Agency to make Loan Installment Payments under the 1994 Loan Agreement, are payable solely from Net Revenues of the City's Water System.

Neither the credit nor the taxing power of the City is pledged to the payment of the Rental Payments. The Rental Payments are not a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its incomes, receipts or revenues except the Net Revenues to the extent of the pledge thereof contained in the 1994 Lease Agreement.

Existing Liens on Revenues

Senior or Parity Liens. There is no outstanding debt of the Water System that is senior to or on parity with the City's obligation to make Rental Payments.

Subordinate Liens. The City currently has outstanding a State of California Department of Water Resources Note (the "State Water Note"). The State Water Note, in the original amount of $362,213.08, is due in annual installments based upon a changing percentage of the original principal amount. The interest rate on the State Water Note is 2.5%; the final payment is due in 2021. Payments due on the State Water Note are subordinate to the City's obligation to make Rental Payments.

On September 2004 the City entered into a loan in the amount of $1,935,000 from the United States Department of Agriculture, Rural Development Division (the "RD Loan") in order to undertake certain water system improvements. As of June 30, 2009, the City had drawn $1,632,900 of the RD Loan at a stated interest rate of not more than 4.375% per annum. Principal payments are due on September 15 of each year. Interest payments are due on March 15 and September 15 of each year. Payments due on the RD Loan are subordinate to the City's obligation to make Rental Payments.

The City has no other debt secured by Water System revenues.

Water Rates

The City covenanted in the 1994 Lease Agreement to levy and collect user rates, fees and charges sufficient to pay the Maintenance and Operation Costs and the Loan Installments when the same become due and payable. The City raised water rates and charges in May 2009.

Insurance

The City is obligated under the 1994 Lease Agreement to maintain, throughout the term of the 1994 Lease Agreement, insurance against loss or damage to any structures or personal property constituting the Water System (being those certain structures and improvements being leased, as listed on Exhibit A to the 1994 Lease Agreement). Such insurance is required to cover loss or damage by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance, and sprinkler system leakage insurance and boiler explosion insurance. The City may with written consent of the Redevelopment Agency, provide a self-insurance method or plan of protection to meet the requirements of the 1994 Lease Agreement. The City currently participates with other public entities under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority to provide liability and workers' compensation insurance to comply with the 1994 Lease Agreement.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the proceeds of such insurance will be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Water System. Said repair, reconstruction or replacement must be completed within a period of two years following damage or destruction.

THE REDEVELOPMENT AGENCY

The Redevelopment Agency was formed by ordinance of the City adopted on July 6, 1983. Although the Redevelopment Agency is an entity distinct from the City, the City Council serves as the Redevelopment Agency Board and certain City personnel provide staff support for the Redevelopment Agency. See "APPENDIX C – REDEVELOPMENT AGENCY LOAN AGREEMENT – The Redevelopment Agency."

THE CITY OF FOWLER WATER SYSTEM

Water Supply and Water Rights

The Water System serves approximately two square miles in the City. The City's Water System supplies water to its customers from the operation of six wells. The Water System's total production capacity is approximately 5.3 million gallons daily. The Water System also includes 233 fire hydrants.

Water quality in the Water System's wells are tested weekly, and to date, there have been no water quality problems. The City's wells vary in size from 350 to 2,000 gallons per minute pumping capacity. Since the City has a looped water system, there is a constant flow of water. The City does have the capacity to pump three times more of the current maximum daily amount.

There currently is no set limit on the amount of water that can be pumped from the aquifer. The City has an agreement with the Consolidated Irrigation District pursuant to which the City pays to the irrigation district a flat charge of $6.80 per acre of land served by the Water System.

Service Demand and Customer Base

During calendar year 2009/2010, the Water System had 1,618 metered accounts and 30 flat-rate customers. The flat-rate customers consist of businesses which do not consume the average monthly minimum gallon usage. The City believes projected demand through Fiscal Year 2020 will be met by the City's groundwater sources.

Service Demand. The following table presents total and maximum daily gross orders of water for the Water System during years 1994 through 2009.

Table F-1
CITY OF FOWLER
WATER SYSTEM GROSS WATER ORDERS
(in gallons)

Calendar Year	Total	Maximum Day
1994	439,000,000	1,500,000
1995	364,000,000	1,609,857
1996	408,891,000	1,807,572
1997	430,138,000	1,784,143
1998	379,554,000	1,870,143
1999	407,337,000	1,923,000
2000	421,003,000	1,153,000
2001	383,433,000	1,051,000
2002	393,027,000	1,077,000
2003	480,297,000	2,174,000
2004	524,661,000	1,437,000
2005	498,813,000	1,367,000
2006	520,138,000	1,425,000
2007	777,680,000	4,430,000
2008	698,300,000	3,877,000
2009	629,200,000	3,919,000

Source: City of Fowler.

Customer Base. For water sales in 2009, approximately 46.1% of the Water System's water sales were to residential customers, representing approximately 44.2% of total metered consumption. Commercial users were the next largest category of accounts, with approximately 34.4% of total metered consumption.

The following tables show 2009 active accounts and water consumption for Water System customers.

Table F-2
CITY OF FOWLER
2009 WATER SYSTEM ACTIVE ACCOUNTS
AND CONSUMPTION BY TYPE OF CUSTOMER

Type of Customer	End-of-Year Active Accounts	Percent	Metered Consumption (Acre Feet)	Metered Percent
Residential	1,469	90.8%	895.2	55.0%
Commercial	116	7.2	284.3	17.5
Industrial	21	1.3	417.3	25.6
Agriculture	12	0.7	30.9	1.9
TOTAL	1,618	100.0%	1,627.7	100.0%

Source: City of Fowler.

Water Program

The City does not plan to make any major improvements to the Water System in the next five years.

WATER SYSTEM FINANCES

Largest Customers

The following table shows the ten largest customers of the Water System, along with each customer's corresponding total water billing figures.

Table F-3
CITY OF FOWLER
TEN LARGEST WATER SYSTEM CUSTOMERS
(by amount billed)
2009

Customer	Type of Customer	Annual Use (in millions gallons)	Amount Billed
Sunshine Raisin	Industrial	89.8	$147,453
Bee Sweet	Industrial	28.2	43,027
Jet Plastica	Commercial	19.5	28,172
Boghosian Bros	Industrial	8.1	20,726
James Marshall School	Institution	8.0	6,005
Hatch Properties	Multi	8.0	28,352
Walnut Grove	Multi	7.6	20,717
Simonian Cold Storage	Industrial	7.4	11,344
Fowler Apts	Multi	5.3	15,093
Rod Haro	Commercial	.2	8,327

Source: City of Fowler.

Billings and Collections

Water Revenues. The City bills its water customers on a monthly basis. Customers are given 19 days to pay the bill before becoming delinquent. If the bill is not paid, the City sends a ten-day notice with an additional 15% late fee. If this final bill remains unpaid after ten days, water service is shut off.

To have service reconnected, there is a reconnection fee that must be paid in addition to the outstanding bill. With this process, there are few accounts which need to be handled any further. The City has additional options of small claims court or filing a lien to attach to the property, but the City has not yet had to resort to these options.

Rates and Charges

The City has the power and authority under California law to establish rates and charges for service without the oversight or review of any other governmental body. The City's rates and charges are established by resolutions of the City Council. The City has the right to refuse or terminate water service to delinquent customers and to require full payment of delinquent amounts and reconnection fees to resume service. With respect to certain potential limitations on the ability of the Redevelopment Agency to increase water rates and charges, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS – Proposition 218" herein. The City's water rates were most recently amended in May 2009.

The City charges $16.24 for the first 10,000 gallons. For each 1,000 gallons thereafter, there is an additional $1.62 charge.

Historical Revenues and Expenditures

The funds of the City's Water System are accounted for as an enterprise fund, and are included in the City's audited financial statements. Borchardt, Corona & Faeth, Fresno, California, prepared the City's Financial Statements for the Year Ended June 30, 2009, which is attached to this Official Statement as Appendix K.

The following table sets forth the audited revenues and expenditures of the City from the Water Enterprise Fund during fiscal years 2005-06 through 2008-09, estimated revenues and expenditures for fiscal year 2009-10, and budgeted revenues for fiscal year 2010-11.

Table F-4
CITY OF FOWLER
WATER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Fiscal Years 2005-06 through 2008-09 (Audited),
Fiscal Year 2009-10 (Estimated) and Fiscal Year 2010-11 (Budgeted)

	Audited 2005-06	Audited 2006-07	Audited 2007-08	Audited 2008-09	Estimated 2009-10	Budget 2010-11
Operating Revenues						
Charges for Services	$980,141	$1,128,741	$1,091,299	$1,285,307	$1,084,362	$1,091,500
Operating Expenses						
Personnel costs	414,768	440,780	435,935	373,039	375,028	593,861
Materials and Supplies	75,183	74,218	70,933	67,991	49,220	78,500
Contract services	40,864	54,735	192,251	70,433	89,488	65,000
Utilities	83,013	109,263	158,708	113,618	121,894	120,000
Repairs and Maintenance	12,247	19,967	24,148	48,319	86,982	63,000
Rent and leases	55,025	--	51,725	40,450	282	500
Other	22,045	21,203	25,152	22,619	14,535	21,500
Depreciation	37,167	39,235	45,432	50,037	16,456	--
Net Operating Expenses	740,312	759,401	1,004,284	786,506	753,885	942,361
Operating Income	239,829	369,340	87,015	498,801	330,477	149,139
Non-Operating Revenues (Expenses)						
Water connection fees	62,184	41,574	18,484	11,744	15,796	5,000
Interest income	18,225	--	--	--	--	--
Other revenue	1,405	--	631	11,337	--	--
Interest Expense	(67,698)	(91,108)	(75,981)	(94,361)	(76,692)	(153,500)
Transfers in	36,159	--	--	--	--	--
Total Non-Operating Revenues (Expenses)	50,275	(49,534)	(56,866)	(71,280)	(60,896)	(148,500)
Change in Net Assets	290,104	319,806	30,149	427,521	269,581	639
Net Assets, July 1	2,787,862	3,643,042	3,962,848	3,992,997	$4,420,518	$4,690,099
Contributed Capital	565,076	--	--	--	--	--
Net Assets, Ending	$3,643,042	$3,962,848	$3,992,997	$4,420,518	$4,690,099	$4,690,738

Source: City's audited financial statements for fiscal years 2005-06 through 2008-09; City of Fowler 2010-11 Budget for Estimated 2009-10 figures.

Historical Debt Service Coverage

The following table sets forth the historic debt service coverage during fiscal years 2005-06 through 2008-09, and estimated coverage during fiscal years 2009-10 and 2010-11. The 1994 Lease Agreement generally defines "Maintenance and Operation Costs" as the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, including all administrative costs of the City that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums.

Table F-5
CITY OF FOWLER
WATER ENTERPRISE FUND
HISTORIC DEBT SERVICE COVERAGE
Fiscal Years 2005-06 through 2008-09 (Audited), Fiscal Year 2009-10 (Estimate) and Fiscal Year 2010-11 (Budgeted)

	Audited 2005-06	Audited 2006-07	Audited 2007-08	Audited 2008-09	Estimate 2009-10	Budget 2010-11
Operating Revenues						
Charges for Services	$980,141	$1,128,741	$1,091,299	$1,285,307	$1,084,362	1,091,500
Water connection fees	62,184	41,574	18,484	11,744	15,796	5,000
Miscellaneous	19,630	--	631	11,337	--	--
Total Water Revenues	1,061,955	1,170,315	1,110,414	1,308,388	1,100,158	1,096,500
Maintenance and Operation Costs (1)						
Personnel costs	414,768	440,780	435,935	373,039	375,028	593,861
Materials and Supplies	75,183	74,218	70,933	67,991	49,220	78,500
Contract services	40,864	54,735	192,251	70,433	89,488	65,000
Utilities	83,013	109,263	158,708	113,618	121,894	120,000
Repairs and Maintenance	12,247	19,967	24,148	48,319	86,982	63,000
Rent and leases	55,025	--	51,725	40,450	282	500
Other	22,045	21,203	25,152	22,619	14,535	21,500
Net Operating Expenses	703,145	720,166	958,852	736,469	737,429	942,361
Net Revenues	358,810	450,149	151,562	571,919	362,729	154,139
Installment Payments	55,025	53,375	57,725	50,075	43,563	42,188
Coverage	6.52	8.43	2.93	11.42	8.33	3.65

(1) Net of depreciation and Installment Payments attributable to the 1994 Lease Agreement and debt service on subordinate debt.
Source: City of Fowler.

RISK FACTORS

The following factors, along with the risk factors set forth herein under the heading “THE BONDS – RISK FACTORS” and the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Payment of the Loan Installments depends primarily upon the City’s payments of the Rental Payments under the 1994 Lease Agreement. Some of the events which could prevent the City from making said Rental Payments are set forth below.

Limited Obligations. The Rental Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to make the Rental Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Water Supply Limitations. Factors beyond the control of the City could impair the ability of the City to supply water to its customers in an amount sufficient to yield Net Revenues sufficient to pay the Rental Payments when due. In particular, the City's existing sources could become limited due to depletion of such sources, whether because of weather or otherwise, or due to restrictions imposed upon the ability of the City to continue receiving water from such sources at levels sufficient to satisfy demand. See "THE CITY OF FOWLER WATER SYSTEM – Water Supply and Water Rights" for a discussion of the City's water rights.

Limited Recourse on Default. Failure by the City to pay the Rental Payments required to be made under the 1994 Lease Agreement constitutes an event of default and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such Rental Payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the Rental Payments, there is no assurance that the City will have sufficient funds to pay the accelerated Rental Payments. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below and "SPECIAL RISK FACTORS" in the main body of this Official Statement.

Parity and Senior Obligations. The 1994 Lease Agreement does not prohibit the City from entering into additional obligations secured by a pledge of Water Revenues at least on a parity with the Rental Payments. Such obligations would increase the obligations payable from the same source securing the Rental Payments, and in the event Net Revenues were to decrease, could diminish the amount available to make Rental Payments. In such event, however, the covenant to charge and collect rates sufficient to produce Net Revenues will remain in effect.

CONSTITUTIONAL AND STATUTORY LIMITATIONS

Article XIIIB of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January l, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Proposition 111, entitled the Traffic Congestion Relief and Spending Act of 1990, was approved by the voters on June 5, 1990. Proposition 111 changes the formula which allows for adjustments in the expenditure limits under Article XIIIB. Rather than adjusting the limit by the percentage change in the California Consumer Price Index, Proposition 111 adjusts it by the percentage change in California Personal Income per capita. Local governments are given the option of using Personal Income per capita or the change in local assessment rolls for new, nonresidential construction as the basis for adjusting their limits. This change allows local governments limits to reflect economic growth, particularly in rapidly growing communities. Furthermore, Proposition 111 allows the averaging of two years' tax revenues before requiring action regarding excess tax revenues.

Article XIIIB is not generally applicable to the service charges and other revenues which are pledged to the City's obligations under the 1994 Lease Agreement. The City believes it is in full compliance with the provisions of Article XIIIB to the extent Article XIIIB is applicable to the City.

Proposition 218

For a description of Proposition 218, see "SPECIAL RISK FACTORS" in the main body of this Official Statement.

Future Initiatives and Legislation

Article XIIIB and Propositions 218 and 111 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues.

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APPENDIX G

2000 REASSESSMENT BONDS

INTRODUCTION

Generally. The City of Fowler Limited Obligation Refunding Improvement, Reassessment and Refunding of 2000, Series 1993-R and Series 1994-R (collectively, the "2000 Reassessment Bonds") were issued pursuant to the Refunding Act of 1984 for 1915 Improvement Bonds, Division 11.5 (commencing with Section 9500) of the Streets and Highways Code of California (the "Act") and Resolution No. 99-1778 of the City of Fowler (the "City") adopted on November 30, 1999 (the "Resolution"). The Finance Director of the City acts as the Agent with respect to the 2000 Reassessment Bonds (the "Agent").

The 2000 Reassessment Bonds were registered in the name of Union Bank, N.A., on behalf of the Authority. The Authority pledged all revenues received from the 2000 Reassessment Bonds as security for the Prior Bonds. Under the Local Obligations Agreement, all rights, title and interests of Union Bank, N.A., as trustee for the Prior Bonds, in the Local Obligations, including the 2000 Reassessment Bonds, will be transferred to the Trustee for the Bonds. See "SECURITY FOR THE BONDS – The Local Obligations" in the main body of this Official Statement.

The Refinancing Plan. The proceeds of the 2000 Reassessment Bonds were used to refund and discharge the City's Assessment District 1993-1 Limited Obligation Improvement Bonds (the "1993 Bonds"), and the City's Assessment District 1994-1 Limited Obligation Improvement Bonds (the "1994 Bonds", and together with the 1993 Bonds, the "Prior Assessment Bonds"). The Prior Assessment Bonds were originally issued to finance public improvements benefiting Assessment District No. 1993-1 and Assessment District No. 1994-1, respectively (together, the "Prior Districts"). The 2000 Reassessment Bonds are secured by unpaid special reassessments (the "Reassessments") levied against all taxable real property within the boundaries of the Prior Districts, which have been consolidated to form the City of Fowler Consolidated Reassessment District (the "Reassessment District").

2000 REASSESSMENT BONDS

Authority for Issuance

The 2000 Reassessment Bonds were issued pursuant to the Act and a resolution adopted by the City Council on November 30, 1999. A Notice of Reassessment was recorded in the real property records of the County of Fresno (the "County") in connection with the sale of 2000 Reassessment Bonds to the Authority.

Maturity and Debt Service Schedules

The 2000 Reassessment Bonds Series 1993-R and Series 1994-R outstanding as of the date hereof mature and bear interest as follows, assuming no additional property owner prepayments:

SERIES 1993-R DEBT SERVICE

Date	Principal	Rate	Interest	Periodic Debt Service	Annual Debt Service
9/2/10	$8,436.26	8.250%	$8,145.67	$16,581.93	$16,581.93
3/2/11			7,797.68	7,797.68	
9/2/11	10,547.82	8.250	7,797.68	18,345.50	26,143.18
3/2/12			7,362.58	7,362.58	
9/2/12	7,659.39	8.250	7,362.58	15,021.97	22,384.55
3/2/13			7,046.63	7,046.63	
9/2/13	7,659.39	8.250	7,046.63	14,706.02	21,752.65
3/2/14			6,730.68	6,730.68	
9/2/14	9,770.95	8.250	6,730.68	16,501.63	23,232.31
3/2/15			6,327.63	6,327.63	
9/2/15	11,882.52	8.250	6,327.63	18,210.15	24,537.78
3/2/16			5,837.48	5,837.48	
9/2/16	11,882.52	8.250	5,837.48	17,720.00	23,557.47
3/2/17			5,347.32	5,347.32	
9/2/17	13,994.08	8.250	5,347.32	19,341.40	24,688.72
3/2/18			4,770.07	4,770.07	
9/2/18	13,994.08	8.250	4,770.07	18,764.15	23,534.21
3/2/19			4,192.81	4,192.81	
9/2/19	16,105.65	8.250	4,192.81	20,298.46	24,491.27
3/2/20			3,528.45	3,528.45	
9/2/20	18,217.21	8.250	3,528.45	21,745.66	25,274.11
3/2/21			2,776.99	2,776.99	
9/2/21	20,328.78	8.250	2,776.99	23,105.77	25,882.76
3/2/22			1,938.43	1,938.43	
9/2/22	20,328.78	8.250	1,938.43	22,267.21	24,205.64
3/2/23			1,099.87	1,099.87	
9/2/23	26,663.47	8.250	1,099.87	27,763.34	28,863.21
Totals	**$197,470.90**		**$137,658.92**	**$335,129.82**	**$335,129.82**

SERIES 1994-R DEBT SERVICE

Date	Principal	Rate	Interest	Periodic Debt Service	Annual Debt Service
9/2/10	$52,843.27	7.850%	$51,453.18	$104,296.45	$104,296.45
3/2/11			49,379.08	49,379.08	
9/2/11	57,033.49	7.850	49,379.08	106,412.57	155,791.66
3/2/12			47,140.52	47,140.52	
9/2/12	65,413.92	7.850	47,140.52	112,554.44	159,694.96
3/2/13			44,573.02	44,573.02	
9/2/13	69,604.14	7.850	44,573.02	114,177.16	158,750.19
3/2/14			41,841.06	41,841.06	
9/2/14	73,794.36	7.850	41,841.06	115,635.42	157,476.48
3/2/15			38,944.63	38,944.63	
9/2/15	77,174.79	7.850	38,944.63	116,119.42	155,064.05
3/2/16			35,915.52	35,915.52	
9/2/16	85,555.23	7.850	35,915.52	121,470.75	157,386.27
3/2/17			32,557.48	32,557.48	
9/2/17	93,935.67	7.850	32,557.48	126,493.15	159,050.63
3/2/18			28,870.50	28,870.50	
9/2/18	102,316.10	7.850	28,870.50	131,186.60	160,057.11
3/2/19			24,854.60	24,854.60	
9/2/19	110,696.54	7.850	24,854.60	135,551.14	160,405.73
3/2/20			20,509.76	20,509.76	
9/2/20	114,076.97	7.850	20,509.76	134,586.73	155,096.49
3/2/21			16,032.24	16,032.24	
9/2/21	126,647.63	7.850	16,032.24	142,679.87	158,712.10
3/2/22			11,061.32	11,061.32	
9/2/22	139,218.28	7.850	11,061.32	150,279.60	161,340.91
3/2/23			5,597.00	5,597.00	
9/2/23	142,598.72	7.850	5,597.00	148,195.72	153,792.72
Totals	**$1,310,909.11**		**$846,006.65**	**$2,156,915.76**	**$2,156,915.76**

Redemption

The 2000 Reassessment Bonds are subject to mandatory redemption on any Interest Payment Date from the proceeds of prepayments of Reassessments or from the application of any surplus funds by the City Council at a redemption price of the principal amount thereof, plus interest to the date of redemption, together with a premium of 5.0% of the principal amount of the 2000 Reassessment Bonds to be redeemed.

The redemption procedure, requirements for notices of redemption and effect of redemption of any 2000 Reassessment Bonds are further set forth in the Resolution.

SECURITY FOR THE 2000 REASSESSMENT BONDS

Reassessments

The 2000 Reassessment Bonds are secured by a first pledge of all of the Reassessments and all moneys deposited in the Redemption Fund and the Prepayment Accounts, which are dedicated to the payment of the principal of (including any Sinking Fund Payments), and interest and any premium on, the 2000 Reassessment Bonds until all of the 2000 Reassessment Bonds have been paid and retired or defeased pursuant to the Resolution. The City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in the Redemption Fund.

The obligations of the City under the Resolution and the 2000 Reassessment Bonds are not general obligations of the City, but are limited obligations, payable solely from the Reassessments and the funds pledged therefore under the Resolution. Neither the faith and credit of the City, the State of California or any political subdivision thereof, nor the general taxing power of the City, the State or any political subdivision thereof, is pledged to the payment of the 2000 Reassessment Bonds.

Although the unpaid Reassessments constitute fixed liens on the Reassessment Parcels, they do not constitute personal indebtedness of the owners of the Reassessment Parcels. Furthermore, there can be no assurance as to the ability or the willingness of the owners to pay the unpaid Reassessments.

The principal of the 2000 Reassessment Bonds is not subject to acceleration under the provisions of the Resolution.

Collection of Reassessments

The Reassessments are payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interests after delinquency as do the general taxes on real property. All sums received from the collection of the Reassessments and of the interest and penalties thereon will be placed in the Redemption Fund.

The Agent will prepare or cause to be prepared such data as the County Auditor requires to include the installments of the Reassessments on the next secured tax roll, and will transmit such data to the County Auditor before the final date on which the County Auditor will accept the transmission of the Reassessments for the Reassessment Parcels for inclusion on the next tax roll.

Covenant to Commence Foreclosure Proceedings

The Act provides that in the event any Reassessment or installment thereof or any interest thereon is not paid when due, the City may order the institution of a court action to foreclose the lien of the unpaid Reassessment. In such an action, the real property subject to the unpaid Reassessment may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory. The City covenants in the Resolution that it will order, and cause to be commenced, and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Reassessment or installment thereof which has been billed, but has not been paid, pursuant to and as provided in sections 8830 and 8835, inclusive, of the Bond Law and the conditions specified in the Resolution. The Agent will notify the City Attorney of any such delinquency of which the Agent is aware, and the City Attorney will commence, or cause to be commenced, such foreclosure proceedings and is authorized under the Resolution to employ counsel to conduct any such foreclosure proceedings. The following conditions apply to any such foreclosure proceedings, which must be commenced within 60 days of the making of any of the following determinations, which determinations must be made not later than the October 1st following a Fiscal Year:

(A) If the Agent determines that there is a delinquency of a Reassessment installment of $1,500 or more for the prior Fiscal Year or Years for any single parcel of land in the Reassessment District.

(B) If the Agent determines that the total amount of delinquent Reassessment for the prior Fiscal Year for the entire District, less the total delinquencies under subsection (A) above, exceeds 6 percent of the total Reassessments due and payable in the prior Fiscal Year, foreclosure will be commenced against each parcel of land in the Reassessment District with a delinquency of $750 or more for the prior Fiscal Year or Years.

(C) If the Agent determines that the total amount of delinquent Reassessment for the prior Fiscal Year for the entire District, less the total delinquencies under subsections (A) and (B) above, exceeds 6 percent of the total Reassessments due and payable for the prior Fiscal Year, foreclosure will be commenced against each parcel of land in the Reassessment District with any amount of delinquency for the prior Fiscal Year or Years.

If court foreclosure proceedings are necessary, there may be a delay in payments to Owners of the 2000 Reassessment Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. **See the section herein entitled "SPECIAL RISK FACTORS" for a discussion of other factors that could impact the City's exercise of the foreclosure remedy.**

No Reassessment Reserve Fund

No reserve account has been established with respect to payments on the 2000 Reassessment Bonds. The City has established a reserve account in connection with the issuance of the Bonds (the “Reserve Fund”), but the Reserve Fund is not available to secure payments on the 2000 Reassessment Bonds. See also “SECURITY FOR THE BONDS – Reserve Fund” in the front half of this Official Statement.

Priority of Lien

Each Reassessment (and any reassessment thereof) and each installment thereof, and any interest and penalties thereon, constitutes a lien against the parcel of land on which it was imposed until paid. The lien is subordinate to all fixed special assessment liens imposed upon the same property prior to the date that the assessments securing the Prior Assessment Bonds became a lien on the property assessed, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. The lien is co-equal to and independent of the lien for general taxes and any community facilities district special taxes.

The City covenants in the Resolution that it will issue or incur no additional bonds or other obligations having any priority over the 2000 Reassessment Bonds in payment of principal or interest out of the Reassessments. However, the City may issue bonds or other obligations on a parity with or subordinate to the 2000 Reassessment Bonds and secured by and payable from the Reassessments upon such terms as the City may determine.

Sales of Tax Defaulted Property Generally

Property securing delinquent Reassessment installments which is not sold pursuant to the judicial foreclosure proceedings described above may be sold, subject to redemption by the property owner, in the same manner and to the same extent as real property sold for nonpayment of general County property taxes. On or before June 30 of the year in which such delinquency occurs, the property becomes tax-defaulted. This initiates a five-year period during which the property owner may redeem the property. At the end of the five-year period the property becomes subject to sale by the County Treasurer and Tax Collector. Except in certain circumstances, as provided in the Bond Law, the purchaser at any such sale takes such property subject to all unpaid assessments, interest and penalties, costs, fees and other charges which are not satisfied by application of the sales proceeds and subject to all public improvement assessments which may have priority. **See "SPECIAL RISK FACTORS - Foreclosure and Sale Proceedings."**

Limited Obligations of the City Upon Delinquency

If a delinquency occurs in the payment of any Reassessment installment, the City has no duty to transfer into the Redemption Fund the amount of the delinquency. **The City has no direct or contingent liability to transfer into the Redemption Fund the amount of delinquency out of any other available monies of the City.**

History of Payment

In September 1996, the City failed to make debt service payments on the Prior Assessment Bonds because of an apparent shortfall in the collection of assessments. In addition, certain funds relating to the Prior Assessment Bonds were misapplied in a manner which caused difficulty in making debt service payments. A portion of the assessment prepayments made with respect to the Prior Assessment Bonds were used for general fund purposes of the City rather than being applied to partially redeem the Prior Assessment Bonds. Because of additional procedural and accounting errors, the prepayment premiums charged for the assessment prepayments were significantly lower than the premiums required. The refunding of the Prior Assessment Bonds with proceeds of the 2000 Reassessment Bonds were each structured to help realign the flow of revenues from the Local Obligations with debt service on the Prior Bonds. **The City has made all required payments on the 2000 Reassessment Bonds.** See also “SECURITY FOR THE BONDS – The Local Obligations” in the front half of this Official Statement.

THE REASSESSMENT DISTRICT

Description of District and Infrastructure Improvements

The Reassessment District comprises an area of approximately 112 acres (with a total of 50 Reassessment Parcels) within the City, which is located in California's Central Valley approximately 11 miles southeast of Fresno and 170 miles southeast of Sacramento. See "APPENDIX B - General Information About the City of Fowler and Fresno County."

The proceeds of the Prior Assessment Bonds were used to finance certain infrastructure improvements to the Prior Districts, including land clearing and grading, sewer system, water system, storm drain systems, curbs, gutters, sidewalks, street lighting, paving and fencing, wheel chair ramps and driveway approaches. These improvements have been completed.

Land Ownership and Land Use in the Reassessment District

General. As of May 1, 2010, there were 50 Reassessment Parcels and 45 property owners in the Reassessment District. There were 45 Reassessment Parcels with improvements, consisting of 30 residential parcels and 15 industrial parcels, and 5 unimproved Reassessment Parcels, consisting of 4 residential parcels and 1 industrial parcel.

The following table identifies the property owners in the Reassessment District whose percentage of the total assessments is greater than 5%. See "THE REASSESSMENT DISTRICT - Land Ownership and Land Use in the Reassessment District" below for further information on the property ownership and use in the Reassessment District.

TABLE G-1
CITY OF FOWLER
CONSOLIDATED REASSESSMENT DISTRICT
Top Assessees

Property Owner	Land Uses	Number of Parcels	Reassessment Amount	Percent of Total Reassessments
SO. CALIF. OF THE ASSEMB.	Churches	1	$184,774.10	12.84%
BUFORD WILLIAM E & MARCEL	Commercial	1	132,479.62	9.20
SUNSHINE RAISIN CO	Packing House	1	119,394.89	8.30
BEDROSIAN ERNEST	Residential	4	104,593.00	7.27
CAMACHO MANUEL	Restaurant	1	83,671.31	5.81
SHUBIN WILLIAM M & MARTHA	Warehouse/General Office	1	83,671.31	5.81
BEE-SWEET CITRUS	Pkg House/Cold Storage	1	72,463.83	5.03
Total		10	$781,048.06	54.27%

Source: NBS Government Finance Group.

Major Property Owners and Developments.

Southern California of the Assemblies of God ("SoCal AG") is the largest property owner in the Reassessment District with $184,774 or 12.84% of the total Reassessment. SoCal AG owns one parcel with a value to lien of 16.92 to 1. The parcel is developed with a two story building housing the Worship Center Church main sanctuary and classrooms on the first floor, and a youth center and administration offices on the second floor. The SoCal AG serves as the umbrella church for this affiliate church, the Worship Center Church. The SoCal AG is one of the approximately fifty-six districts that comprise the General Council of the Assembles of God (USA) a Pentecostal denomination with over 61 million worldwide and nearly three million in the United States. Organizationally, the SoCal AG Council occupies a middle position between the denomination's national offices, located in Springfield, Missouri, and the approximately 12,000 local Assemblies of God churches in the United States.

The SoCal AG was formed in 1919 and is headquartered in Irvine California. Its sphere of influence encompasses San Simeon, Fresno, and Bishop. It is responsible for over 440 churches, approximately 12,000 members and adherents, and over 1,400 credentialed ministers. The SoCal AG also owns and operates Vanguard University of Southern California and graduate school in Costa Mesa, seven Teen Challenge centers, the Teen Challenge Ministry Institute for the training and development of inner-city workers, Pinecrest Christian Conference Center, a 162 acre camp conference facility in the San Bernardino mountains, and Bethel Towers, an 18-story retirement center in Costa Mesa.

Buford Oil Company is the second largest property owner in the Reassessment District with $132,479 or 9.20% of the total Reassessment lien. Buford Oil owns one parcel with a value to lien of 7.55 to 1. Buford Oil Company is a family run business originally founded in 1931. They own 11 convenience stores and truck stops throughout California's Central Valley, all leased to independent operators. Buford Oil owns Shell Stations in Hanford, Lemoore, Corcoran, Avenal, Kingsburg, Riverdale and Fowler. The Fowler facility is both a truck stop and gas station and is the largest truck stop the Buford Oil Company owns. The Buford family has owned the property for over 30 years. It sits on 20 acres and the facility is roughly 3,000 square feet.

Sunshine Raisin Corporation Facility is the third largest property owner in the Reassessment District with $119,394 or 8.30% of the total Reassessment lien. Sunshine Raisin Corporation DBA National Raisin Company owns one parcel with a value to lien of 57.96 to 1. National Raisin Company has fruit packing facilities on the parcel in the Reassessment District. They were incorporated in 1969 and they process and sell raisins and prunes to retail, food service and industrial businesses both within the United States and internationally. National Raisin Company employs between 500 to 600 persons, depending on the season. The company processes more than 100 million pounds of raisins every year, and produces organic and conventional raisins for retail customers under the Champion and Bonner Organic labels. It also grows and dries plums and apricots, also sold under the Champion brand name. In addition, National Raisin Company's operations offer currents, raisin juice concentrate, and raisin paste.

Ernest Bedrosian is the fourth largest property owner in the Reassessment District with $104,593 or 7.27% of the total Reassessment lien. Ernest Bedrosian owns four parcels with a combined value to lien of 7.60 to 1. Mr. Bedrosian is the founder and president of Sunshine Raisin Corporation. The property owned by Mr. Bedrosian was purchased in 2002 and is the site for his family's home. One parcel is developed with a single family residential home and one parcel is developed as a backyard for the residence and is currently listed as unimproved on County records. The other two parcels are adjacent to the developed parcels and are undeveloped. The Bedrosian family has no interest in selling the properties or developing them.

Manuel Camacho is the fifth largest property owner in the Reassessment District with $83,671 or 5.81% of the total Reassessment lien. Manual Camacho owns one parcel with a value to lien of 9.60 to 1. The parcel is developed for El Mexicano Restaurant an establishment which serves Mexican cuisine for breakfast, lunch and dinner. El Mexicano Restaurant has billboard signs advertising on highway 99, and is located just off the highway at the main intersection of East Manning and South Golden Gate Boulevard. El Mexicano Restaurant has a 24 hour taco shop in the front and a full service restaurant in the back of the building. There is live music advertised at this establishment on Thursday and Sunday evenings.

William and Martha Shubin are the sixth largest property owners in the Reassessment District with $83,671 or 5.81% of the total Reassessment lien. The Shubins own one parcel with a value to lien of 5.92 to 1. The Shubins have owned the property for 20 years and they lease the property out to three separate independent operators. One operator uses the facility for truck sales, another operator uses the property for their trucking company, and the third operator uses the property for fuel manufacturing, in which they make fuel out of vegetable grease.

Bee Sweet Citrus is the seventh largest property owner in the Reassessment District with $72,463 or 5.03% of the total Reassessment lien. Bee Sweet Citrus owns one parcel with a value to lien of 92.89 to 1. The parcel is used for company operations. Bee Sweet Citrus was founded in 1987 as an independent packer and shipper of California oranges. They are a year-round operation that ships throughout the United States, Canada, Europe, Australia, New Zealand, and several Pacific Rim countries including Japan. They are a one stop shop for all citrus commodities. Their product list includes Navel and Valencia oranges, lemons, grapefruit, mandarins, and exotic specialties such as minneolas and pummelos.

Property Values

According to the Fresno County Assessor's Office, the aggregate assessed valuations of the land and improvements for all Reassessment Parcels in the Reassessment District is $35,659,293 for fiscal year 2009-10. See Table G-7 for assessed valuations of each parcel in the Reassessment District.

The "full cash values" on a parcel-by-parcel basis are shown on the last page of this Appendix G. Article XIIIA of the California Constitution (Proposition 13) defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 bill under "full cash value", or thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 reassessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership the county tax roll does not reflect values uniformly proportional to actual market values.

The City has not engaged an independent appraiser to provide opinions concerning the values of the Reassessment Parcels in the Reassessment District.

Value-to-Lien Ratios

District-Wide Value-to-Lien Ratio*.* Based on a total property value in the Reassessment District of $35,659,293, the Reassessment District-wide value-to-lien ratio of the property value to the outstanding Reassessment lien of $1,439,313.93 is 24.78:1. A complete list of properties in the Reassessment District and the value-to-lien ratio for each property is shown in Table G-7 at the end of this Appendix.

The burden used in calculating the combined value-to-lien ratio includes only the principal amount of the 2000 Reassessment Bonds and does not reflect other debt obligations or liens encumbering the Reassessment Parcels. In addition, the property value in the Reassessment District determined by the 2009-10 assessed value may be significantly below market value, which results in a lower overall value-to-lien ratio than would be achieved based on appraised or market values.

Value-to-lien Ratios of Top Assessees. The following table sets forth the reassessments, property values, and value-to-lien ratios for the assessees responsible for 5% or more of the outstanding Reassessments in the Reassessment District. The value-to-lien ratios do not include debt obligations or liens encumbering the Reassessment Parcels other than the Reassessments. The assessed value attributed to each property is derived from the 2009-10 secured property tax rolls. The combined value-to-lien ratio for the top assessees is 25.44:1.

TABLE G-2
CITY OF FOWLER
CONSOLIDATED REASSESSMENT DISTRICT
Top Assessees' Value-to-Lien Ratios

Property Owner	Reassessment Amount	Property Value	Value-Lien Ratio
SO. CALIF. OF THE ASSEMB.	$184,774.10	$3,126,157	16.92
BUFORD WILLIAM E & MARCEL	132,479.62	999,565	7.55
SUNSHINE RAISIN CO	119,394.89	6,920,000	57.96
BEDROSIAN ERNEST &	104,593	794,642	7.60
CAMACHO MANUEL & E	83,671.31	803,088	9.60
SHUBIN WILLIAM M &	83,671.31	494,946	5.92
BEE-SWEET CITRUS I	72,463.83	6,731,399	92.89
Total	$781,048	$19,869,797	

Source: NBS Government Finance Group and County of Fresno Assessor.

Summary of Value to Lien Ratios*.* The following table summarizes the value to lien ratios for all properties in the Reassessment District. The Reassessment Lien amount includes only the lien securing the outstanding Reassessments.

TABLE G-3
CITY OF FOWLER
CONSOLIDATED REASSESSMENT DISTRICT
Assessed Value-to-Lien Distribution

Value-to-Lien Ratio	Number of Parcels	Percent of Total	Reassessment Lien Amount	Percent of Total
Below 3:1	0	0.00%	$0	0.00%
Between 3:1 and 5:1	4	8.00	104,593.36	7.27
Between 5:1 and 10:1	4	8.00	325,970.58	22.65
Between 10:1 and 15:1	7	14.00	125,392.49	8.71
Greater than 10:1	35	70.00	883,357.50	61.37
Totals	50	100.00%	$1,439,313.93	100.00%

Source: NBS Government Finance Group.

TABLE G-4
CITY OF FOWLER
CONSOLIDATED REASSESSMENT DISTRICT
Assessed Value-to-Lien Ratios of
Improved and Unimproved Parcels

The following table summarizes the value-to-lien ratios of improved and unimproved properties in the Reassessment District.

Parcels	Number of Parcels	Value	Reassessment Lien Amount	Value to Lien	Percent of Total
Total Improved Parcels	45	$34,623,142	$1,314,048.56	26.35	91.30%
Total Unimproved Parcels	5	1,036,151	125,265.37	8.27	8.70%
Total	50	$35,659,393	$1,439,313.93	24.78	100.00%

Source: NBS Government Finance Group.

Assessment Installment Delinquencies

Property taxes (including Reassessment installments) may be paid in two installments. The first installment is due on November 1 and is delinquent if not paid by December 10. The second installment is due on March 1 and is delinquent if not paid by April 10.

According to information provided by the County, as of the date hereof, three residential parcels are delinquent on the April 10, 2010 installments with one of the residential parcels also delinquent on the December 10, 2009 installment. One light industrial/restaurant parcel is delinquent on the April 10, 2010 installment. All prior delinquencies in the Reassessment District have been paid. As of June 1, 2010, there are no Reassessment Parcels in foreclosure in the Reassessment District.

The following table sets forth the history of delinquent assessments in the Reassessment District for fiscal years 2004-05 through 2009-10.

TABLE G-5
CITY OF FOWLER
CONSOLIDATED REASSESSMENT DISTRICT
Delinquency History

Fiscal Year	Total Amount Levied	Amount Delinquent	Delinquency as % of Total Annual Levy	Percent Collected To Date
2004-05	$198,901	--	0.00%	100.00%
2005-06	202,243	$3,570	1.77	100.00
2006-07	198,610	4,751	2.39	100.00
2007-08	201,695	7,021	3.48	100.00
2008-09	197,009	11,246	5.71	100.00
2009-10	196,117	6,445	3.29	96.71

Source: County of Fresno and NBS Government Finance Group.

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Direct and Overlapping Debt

Overlapping local agencies provide public services within the Reassessment District, and such agencies have issued general obligation bonds and other types of indebtedness. Direct and overlapping bonded indebtedness as of May 1, 2010 is shown in the following table.

TABLE G-6
CITY OF FOWLER
CONSOLIDATED REASSESSMENT DISTRICT
Direct and Overlapping Bonded Debt

2009-10 Local Secured Assessed Valuation: $35,659,293 (Land and Improvements Only)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 5/1/10
State Center Community College District	0.079%	$ 89,724
Fowler Unified School District	0.285	67,217
City of Fowler Consolidated Reassessment District	**100.**	**1,439,314**(2)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,596,255
OVERLAPPING GENERAL FUND DEBT:	% Applicable (3)	Debt 5/1/10
Fresno County General Fund Obligations	0.029%	$ 24,994
Fresno County Pension Obligations	0.029	143,599
City of Fowler Certificates of Participation	6.964	17,410
TOTAL OVERLAPPING GENERAL FUND DEBT		$186,003
COMBINED TOTAL DEBT		$1,782,258(4)

(1) Based on total local secured assessed valuation including land, improvements and personal property of $51,942,463.
(2) Lien of the Reassessments.
(3) Based on redevelopment adjusted assessed valuation of $15,865,225.
(4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Direct Debt ($1,439,314) 4.05%
Total Direct and Overlapping Tax and Assessment Debt............4.49%
Combined Total Debt 5.02%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

SPECIAL RISK FACTORS

The following factors, along with the risk factors set forth in the front half of this Official Statement under the heading "SPECIAL RISK FACTORS," and the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds.

Limited Availability of Reserve Fund

The City has established the Reserve Fund in connection with the issuance of the Bonds in order to secure the payment of principal and interest on the Bonds. The Reserve Fund has been established as security for the Bonds only, and is not available to secure the payment of the 2000 Reassessment Bonds. As such, neither the amounts on deposit in the Reserve Fund nor the earnings thereon will be credited to the Reassessments. No reserve account will be established with respect to payments on the 2000 Reassessment Bonds. In addition, the Reserve Fund could be depleted by shortfalls in the payment of other Local Obligations, and no assurance can be given that amounts on deposit in the Reserve Fund will be sufficient to pay debt service on the Bonds. See "SECURITY FOR THE 2000 REASSESSMENT BONDS - No Reassessment Reserve Fund."

Foreclosure and Sale Proceedings

The City is obligated under certain conditions to institute foreclosure and sale proceedings against Reassessment Parcels that have delinquent Reassessment installments, and may do so in other circumstances even if not so obligated. Foreclosure proceedings are instituted by the bringing of an action in the superior court of the County, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. Upon judgment of foreclosure the Reassessment Parcel may be offered for sale at a minimum price. The established minimum price will be sufficient to cover the amount of the delinquent installments and unpaid interest together with penalties, costs, fees and charges and the costs of execution and sale.

However, in the event a Reassessment Parcel does not sell for the minimum price the court may modify its judgment and reduce or eliminate the minimum price. In order to do so, however, written notice of a hearing on the matter of reducing or eliminating the minimum price is required to be given all registered Owners of the 2000 Reassessment Bonds.

If, at the hearing, the court determines that such a sale will not result in an ultimate loss to the Bondowners, or if the owners of 75% of the outstanding 2000 Reassessment Bonds by principal amount consent and the sale will not result in an ultimate loss to the nonconsenting owners of Bonds, the court may reduce or eliminate the minimum price at which a Reassessment Parcel may be sold. Further, if the owners of 75% of the outstanding 2000 Reassessment Bonds by principal amount consent the court may reduce or eliminate the minimum price at which a Reassessment Parcel may be sold even if sale below the minimum price will result in an ultimate loss to nonconsenting owners of 2000 Reassessment Bonds, provided that the court makes certain additional determinations specified by statute, including the reasonable unavailability of any other remedy acceptable to the owners of 75% or more of the outstanding 2000 Reassessment Bonds by principal amount. Upon sale of the Reassessment Parcel for less than the minimum price, the remaining unpaid balance of the Reassessment on the Reassessment Parcel will be reduced by the difference between the minimum price and the sale price. By such a reduction, the aggregate principal amount of the outstanding Bonds will exceed the aggregate principal amount of the unpaid Reassessment.

Under such circumstances, unless other funds are available or unless consenting owners of 2000 Reassessment Bonds agree to the protection from ultimate loss of nonconsenting owners of 2000 Reassessment Bonds, proportionate payments are to be made, periodically, of the unpaid principal and interest of the 2000 Reassessment Bonds without priority or preference between Bondowners as funds become available from collection of the unpaid Reassessment installments. The maturity dates of the 2000 Reassessment Bonds are to be disregarded and no redemption premiums are to be payable on payments of the principal of 2000 Reassessment Bonds the maturity dates of which are subsequent to the date of any such payments. The Bondowners may be required to surrender the 2000 Reassessment Bonds for cancellation in order to participate in such proportionate payments.

The Trustee with respect to the Bonds is the owner of all the Reassessment Bonds and, accordingly, is expected to take all of the actions described above in connection with a foreclosure proceeding.

Factors Affecting Reassessment Parcel Value and Aggregate Values

The facts and circumstances concerning the values of the Reassessment Parcels that are of importance are not confined to those relating to individual Reassessment Parcel values because the 2000 Reassessment Bonds are not individually secured by particular Reassessment Parcels. The 2000 Reassessment Bonds are secured by all of the unpaid Reassessments on all of the Reassessment Parcels. Therefore the value of the Reassessment Parcels must also be evaluated in the aggregate. The following are some of the factors which may affect the market for and value of particular Reassessment Parcels individually and in the aggregate.

Geologic, topographic and climatic conditions. Values of Reassessment Parcels can be adversely affected by a variety of natural events and conditions. These include, without limitation:

- geologic conditions such as earthquakes;
- topographic conditions such as earth movements and floods; and
- climatic conditions such as droughts.

The possibility of the occurrence of some of these conditions and events has been taken into account to a limited extent in the design of the Reassessment District improvements and has been or will be taken into account to a limited extent in the designs of other public improvements which may be approved by the City or other public agencies. Building codes require that some of these conditions be taken into account to a limited extent in the design of private improvements. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change from time to time leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria, at the time of their establishment, reflect a balance between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Also reflecting that balance are decisions not to impose design criteria at all.

The City expects that one or more of these conditions may occur from time to time, and, even if design criteria do exist, such conditions may result in damage to property improvements.

That damage may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of the Reassessment Parcels could depreciate substantially notwithstanding the establishment of design criteria.

Earthquake Hazards. Within the past 150 years the Fresno County area has experienced several significant earthquakes. Accordingly, the land in the Reassessment District may be subject to ground shaking during a significant earthquake, as a result of which the structures in the Reassessment District could be seriously damaged, thereby impairing the value of the Reassessment Parcels and the ability of the property owners to pay Reassessments.

Legal requirements. Other events which may affect the value of a Reassessment Parcel include changes in the law or application of the law. Such changes may include, without limitation, the following:

- local growth control initiatives;
- local utility connection moratoriums; or
- local application of statewide tax and governmental spending limitation measures.

Prepayment of Reassessments. There is rarely a uniform relationship between the value of Reassessment Parcels and the proportionate share of debt service on the 2000 Reassessment Bonds to be borne by the Reassessment Parcels.

One of the factors that may effect a significant change in the relationship between the aggregate Reassessment Parcel values and the Reassessment is the prepayment before final bond maturity of the remaining balance of the Reassessments on particular Reassessment Parcels. Should the Reassessments on Reassessment Parcels having a relatively high ratio of value to Reassessment be prepaid, the security for the 2000 Reassessment Bonds, as evidenced by the ratio of the aggregate remaining Reassessment Parcel values to the remaining balance of the Reassessment, will be reduced.

Other Possible Claims Upon the Value of a Reassessment Parcel

While the Reassessment is secured by the Reassessment Parcels, the security only extends to the value thereof that is not subject to priority and parity liens and similar claims relative to the Reassessments. Other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the Reassessment Parcels and may be secured by liens on a parity with the liens of the Reassessments securing the 2000 Reassessment Bonds.

In general, as long as installments of the Reassessment are collected on the County tax roll, the installments and all other taxes, assessments and charges also collected on the tax roll are on parity. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings of foreclosure for delinquency of installments of a Reassessment securing the 2000 Reassessment Bonds, the Reassessment will have priority over specific-amount special assessments levied subsequent to the levy of the Reassessments but will be subordinate to those referred to above. Otherwise, in the event of such foreclosure proceedings the installments of the Reassessment will generally be on a parity basis with the other taxes, assessments and charges. The Reassessment will have priority over non-governmental liens on a Reassessment Parcel regardless of whether or not the non-governmental liens are in existence at the time of the levy of the Reassessment.

While governmental taxes, assessments and charges are a common claim against the value of a Reassessment Parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Reassessment installments is a claim with regard to a hazardous substance. In general, the owners and operators of a Reassessment Parcel may be required by law to remedy conditions of the Reassessment Parcel relating to released or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act", is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator of a property is obligated to remedy a hazardous substance condition whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect therefore, should any of the Reassessment Parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition.

The values shown in the section herein entitled "THE REASSESSMENT DISTRICT - Property Values" do not take into account the possible reduction in marketability and value of any of the Reassessment Parcels by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the Reassessment Parcel.

Further, it is possible that liabilities may arise in the future with respect to any of the Reassessment Parcels resulting from the current existence on the Reassessment Parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence on the Reassessment Parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a Reassessment Parcel that is realizable upon delinquency.

Concentration of Property Ownership

Current ownership of the real property within the Reassessment District is concentrated among a relatively small number of owners. The top seven assessees are responsible for approximately 54.27% of the total Reassessments. See "THE REASSESSMENT DISTRICT - Land Ownership and Land Use in the Reassessment District."

Failure of significant property owners in the Reassessment District to pay Reassessment installments when due could result in an insufficiency of Reassessments to meet payment obligations under the Resolution and consequent insufficiency of funds available to make payments on the Authority Bonds. In that event, there could be a delay or failure in payment of the principal of or interest on the 2000 Reassessment Bonds and, consequently, on the Bonds.

Parity Taxes and Special Assessments

The ability or willingness of a property owner in the Reassessment District to pay the Reassessments could be affected by the existence of other taxes and assessments imposed upon the property. The Reassessments and any penalties thereon constitute a lien against the lots and parcels of land on which they have been levied until they are paid. Such lien is on a parity with all special taxes levied by other agencies regardless of when they are imposed on the same property, and is co-equal to and independent of the lien for general property taxes. The Reassessments are subordinate to pre-existing assessment liens and senior to assessment liens created in the future. The Reassessments have priority over all existing and future private liens imposed on the property. In addition, other public agencies whose boundaries overlap those of the Reassessment District could, with or in some circumstances without the consent of the owners of the land in the Reassessment District, impose additional taxes or assessment liens on the property in the Reassessment District in order to finance public improvements to be located inside or outside of the Reassessment District.

The City, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property in the Reassessment District. In addition, the City is not prohibited itself from establishing assessment districts, community facilities districts or other districts which might impose assessments or taxes against property in the Reassessment District. The imposition of additional liens on a parity with the Reassessments could reduce the ability or willingness of the owners of parcels in the Reassessment District to pay the Reassessments and increase the possibility that foreclosure proceeds will not be adequate to pay delinquentor the principal of and interest on the Bonds when due.

Bankruptcy Proceedings

Regardless of the priority of the Reassessment securing the 2000 Reassessment Bonds over non-governmental liens the exercise by the City of the foreclosure and sale remedy or by the County of the tax sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner of a Reassessment Parcel. The Federal bankruptcy laws provide for an automatic stay of foreclosure and sale or tax sale proceedings thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies, especially if the owner owns Reassessment Parcels the Reassessments of which are significant or if bankruptcy proceedings are instituted with respect to a number of owners owning Reassessment Parcels the Reassessments of which are significant, may result in periodic Reassessment installment collections that may be insufficient to pay the debt service on the 2000 Reassessment Bonds when due. Further, should remedies be exercised under the bankruptcy law against the Reassessment Parcels, payment of installments of the Reassessment may be subordinated to bankruptcy law priorities. Therefore, certain claims may have priority over the Reassessment lien, even though they would not were the bankruptcy law not applicable.

Proposition 218

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Reassessments, and Charges—Initiative Constitutional Amendment, which added Articles XIIIC and XIIID to the California Constitution in 1996, imposed certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. See the section entitled "SPECIAL RISK FACTORS" in the front half of this Official Statement for a detailed discussion of the risk factors associated with Proposition 218.

Payment of the Reassessment Not a Personal Obligation

The owners of Reassessment Parcels are not personally liable for the payment of the Reassessment or the Reassessment installments. Rather, the Reassessment is an obligation only of the Reassessment Parcels. If the value of a Reassessment Parcel is not sufficient to fully secure the Reassessment on it, the City has no recourse against the owner under the laws by which the Reassessment has been levied and the 2000 Reassessment Bonds have been issued.

Limited Obligation to Pay Debt Service

THE CITY HAS NO OBLIGATION TO ADVANCE FUNDS TO PAY DEBT SERVICE ON THE 2000 REASSESSMENT BONDS IN THE EVENT REASSESSMENT INSTALLMENT COLLECTIONS ARE INSUFFICIENT. NO RESERVE FUND HAS BEEN ESTABLISHED SECURING THE PAYMENT OF THE 2000 REASSESSMENT BONDS. Notwithstanding the limited nature of the City's obligation, the City may, at its option and in its sole discretion, elect to advance available funds of the City in the amount of any delinquent Reassessment installments to pay debt service on the 2000 Reassessment Bonds. Should the City do so it is entitled to reimbursement from the first proceeds of any payments of delinquent installments or the redemption or sale of delinquent Reassessment Parcels. OWNERS OF THE 2000 REASSSESSMENT BONDS MAY NOT RELY UPON THE CITY TO ADVANCE FUNDS TO PAY DEBT SERVICE ON THE 2000 REASSESSMENT BONDS UPON DELINQUENCY EVEN IF THE CITY MAY HAVE PREVIOUSLY DONE SO OR MAY DO SO CONTEMPORANEOUSLY WITH RESPECT TO OTHER BONDS OR OBLIGATIONS.

No Acceleration

The principal of the 2000 Reassessment Bonds will not be subject to acceleration under the provisions of the Resolution. Bondholders must rely on other remedies contained in the Resolution in the event there is a deficiency in the amounts held under the Resolution for the payment of the principal of and interest on the 2000 Reassessment Bonds.

No Rating

The City has not made, and does not contemplate making, an application to any rating agency for the assignment of a rating of the 2000 Reassessment Bonds.

TABLE G-7
CITY OF FOWLER
CONSOLIDATED REASSESSMENT DISTRICT
Value to Lien Ratios by Parcel

	APN	Owner Name	Use Description	Acreage	Land Value	Improvement Value	Total Value	Remaining Lien	Value to Lien
1	340-280-01	ALLRED JEFFREY SCO	Single-Family Residential	0.161	$17,230	$142,424	$159,654	$8,522.09	18.73
2	348-041-21	BAINS M. & K. JASDEEP	Small Food Store/Service Station	0.848	286,444	378,568	665,012	7,155.44	92.94
3	340-272-02	BAXTER RUSSELL B &	Single-Family Residential	0.234	123,200	228,700	351,900	17,432.22	20.19
4	340-272-28 (1)	BEDROSIAN ERNEST &	Vacant Single-Family Residential	0.351	84,349	0	84,349	26,148.34	3.23
5	340-272-32	BEDROSIAN ERNEST &	Vacant Single-Family Residential	0.351	78,725	0	78,725	26,148.34	3.01
6	340-272-33	BEDROSIAN ERNEST &	Vacant Single-Family Residential	0.351	112,468	0	112,468	26,148.34	4.30
7	340-272-29	BEDROSIAN ERNEST A	Single-Family Residential	0.351	125,300	393,800	519,100	26,148.34	19.85
8	345-110-75S	BEE-SWEET CITRUS I	Pkg House/Cold Storage	16.860	524,648	6,206,751	6,731,399	72,463.83	92.89
9	340-271-20	BRISCO SHIRLEY	Single-Family Residential	0.344	80,592	249,563	330,155	26,148.33	12.63
10	345-180-15	BUFORD WILLIAM & MARCEL	Commercial (temporary use code)	20.280	655,884	343,681	999,565	132,479.62	7.55
11	345-180-18	CAMACHO MANUEL & E	Restaurant	1.940	322,509	480,579	803,088	83,671.31	9.60
12	343-280-58	CASTRO CAESAR JR &	Single-Family Residential	0.233	63,300	70,400	133,700	12,744.03	10.49
13	340-280-04	CREEK TERRY H & AN	Single-Family Residential	0.189	31,544	186,587	218,131	8,522.09	25.60
14	340-271-02	DONDLINGER DANIEL	Single-Family Residential	0.237	59,674	313,843	373,517	17,432.22	21.43
15	343-300-72	FLORES DANNY & MARIE E	Single-Family Residential	0.396	29,240	50,608	79,848	2,287.62	34.90
16	340-271-10	FLOREZ ENRIQUE & C	Single-Family Residential	0.229	64,495	208,679	273,174	17,432.22	15.67
17	348-041-22	FORTUNE INVESTMENT	Vacant Industrial	0.810	676,260	0	676,260	20,672.01	32.71
18	345-110-87	GEE GLEN R & BEVER	Warehouse w/ Single-Family Res.	2.500	34,531	182,669	217,200	17,431.51	12.46
19	345-110-53	GOLDEN STATE STEEL	Lumber Yard/General Office	8.220	322,608	802,198	1,124,806	31,376.74	35.85
20	343-280-72	GORDON MARIA O & L	Single-Family Residential	0.231	50,584	127,734	178,318	12,744.03	13.99
21	340-271-15	HAMMER LEONARD J &	Single-Family Residential	0.229	57,357	208,065	265,422	17,432.22	15.23
22	343-280-66	HANOIAN GARY J & C	Single-Family Residential	0.229	44,866	158,649	203,515	12,744.03	15.97
23	340-273-08	HANSEN JAMES R A &	Single-Family Residential	0.234	58,504	348,688	407,192	17,400.17	23.40
24	340-280-05	JIMENEZ ROSALIO	Single-Family Residential	0.189	29,250	120,564	149,814	8,522.09	17.58
25	348-041-19	JUNG LUNNY RONNIE	Commercial Stores/Warehouse	1.140	308,162	440,315	748,477	9,504.22	78.75
26	348-041-20	JUNG LUNNY RONNIE	Prkg/Sales Lot/Gen Off	0.898	248,416	286,110	534,526	7,430.76	71.93
27	343-280-56	KAUR JASMINDER	Single-Family Residential	0.226	63,300	91,500	154,800	12,744.03	12.15
28	343-280-75	KAUR NAVDEEP	Single-Family Residential	0.229	48,692	164,347	213,039	12,714.68	16.76
29	340-272-18	LETIZIA BENEDICT	Single-Family Residential	0.236	123,200	239,300	362,500	17,432.22	20.79
30	340-272-27	MEDINA CIRILO & YV	Vacant Single-Family Resid.	0.351	84,349	0	84,349	26,148.34	3.23

(1) This parcel is developed with a backyard for parcel 340-272-29. These parcels are expected to be combined by Fresno County in 2011 as improved.

31	340-272-34	MEDINA CIRILO & YV	Single-Family Residential	0.351	68,500	251,400	319,900	26,148.34	12.23
32	348-041-16	MID-VALLEY DEVELOP	Garages/General Office	3.000	223,699	1,032,466	1,256,165	26,104.03	48.12
33	340-272-31	MISKULIN GREGORY N	Single-Family Residential	0.351	73,300	177,300	250,600	26,148.34	9.58
34	340-280-02	NARANJO CARLOS E	Single-Family Residential	0.161	70,000	125,500	195,500	8,522.09	22.94
35	340-272-09	PARRA DANIEL T & S	Single-Family Residential	0.236	57,357	207,431	264,788	17,432.22	15.19
36	340-273-01	REED JACK R & BEVE	Single-Family Residential	0.234	31,900	281,000	312,900	17,432.22	17.95
37	340-273-03	RODRIGUEZ INEZ & A	Single-Family Residential	0.234	123,200	183,000	306,200	17,432.22	17.57
38	340-280-03	RODRIGUEZ RUBEN &	Single-Family Residential	0.189	32,052	152,617	184,669	8,522.09	21.67
39	348-041-27	SALAZAR ROBERT	Light Industrial/Restaurant	2.000	176,520	1,170,128	1,346,648	42,380.22	31.78
40	343-280-76	SALINAS RANDY & PE	Single-Family Residential	0.229	51,595	194,519	246,114	12,714.68	19.36
41	348-041-15	SEATTLE BOX COMPAN	Warehouse	2.000	170,434	469,914	640,348	21,662.19	29.56
42	340-271-03	SHAW MALCOLM SYDNE	Single-Family Residential	0.237	64,495	141,899	206,394	17,432.22	11.84
43	345-110-66	SHUBIN WILLIAM M &	Warehouse/General Office	4.360	95,446	399,500	494,946	83,671.31	5.92
44	340-272-17	SIMONIAN JAMES P &	Single-Family Residential	0.234	123,200	211,100	334,300	17,432.22	19.18
45	348-041-18	SO. CALIF. OF THE ASSEMB.	Churches	12.720	702,193	2,423,964	3,126,157	184,774.10	16.92
46	348-041-08	SUNNY TRUCK WASH G	Car Wash/Commercial Stores	1.620	514,154	541,216	1,055,370	13,348.57	79.06
47	343-053-34S	SUNSHINE RAISIN CO	Packing House	23.860	520,000	6,400,000	6,920,000	119,394.89	57.96
48	340-273-07	TARVER VAN & RUTH	Single-Family Residential	0.234	60,223	276,221	336,444	17,432.22	19.30
49	340-272-30	WEATHERLY MARK A &	Single-Family Residential	0.351	80,300	275,547	355,847	8,716.11	40.83
50	340-273-04	YOUNG LARRY & VICK	Single-Family Residential	0.234	48,900	223,100	272,000	17,432.22	15.60
				111.91	$8,097,149	$27,562,144	$35,659,293	$1,439,313.93	24.78

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APPENDIX H

FORM OF
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Fowler (the "City") in connection with the issuance of its Fowler Public Financing Authority 2010 Revenue Refunding Bonds dated the date hereof (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Directors of the Fowler Public Financing Authority on June 15, 2010 and an Indenture of Trust dated as of September 1, 2010 (the "Indenture").

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" means any Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. As of the date of this Disclosure Certificate, the City has not appointed a Dissemination Agent.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Brandis Tallman LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2011, with the report for the 2009-10 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements and the Redevelopment Agency's audited financial statements each prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's or Redevelopment Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City and the Redevelopment Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

Bonds

1. Principal amount of Bonds outstanding.

2. Balance in the Reserve Fund and a statement of the Reserve Requirement.

Redevelopment Agency Loan

1. Assessed Value of the Redevelopment Agency's Project Area, Total Tax Increment Revenues and Redevelopment Agency Tax Revenues for the most recently completed fiscal year, in the format of Table C-2 in Appendix C of the Official Statement.

2. Ten largest Assessees in the Project Area for the most recently completed fiscal year, in the format of Table C-4 in Appendix C of the Official Statement.

Merced Street Improvement Obligation

1. Total amount of Measure C Funds, State Gas Tax revenues and Local Transportation Funds received by the City for the most recently completed fiscal year and coverage, in the format of Table D-5 in Appendix D of the Official Statement.

General Fund Subleases

1. Information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year.

2. Information concerning the assessed valuation of properties within the City for the most recent completed Fiscal Year.

3. Information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year.

4. With respect to the top twenty (20) property taxpayers in the City, information showing the identity of each such taxpayer, and the total assessed valuation of properties owned by each such taxpayer.

1994 Water Obligation

1. Gross water orders of the City's Water System for the most recently completed calendar year, in the format of Table F-1 of Appendix F of the Official Statement.

2. Active accounts and consumption by customer type of the City's Water System for the most recently completed calendar year, in the format of Table F-2 of Appendix F of the Official Statement.

3. Ten largest customers of the City's Water System for the most recently completed calendar year, in the format of Table F-3 of Appendix F of the Official Statement.

4. Actual revenues, expenditures and beginning and ending fund balances relating to the Water Enterprise Fund of the City for the most recent completed fiscal year.

2000 Reassessment Bonds

1. Principal amount of Refunding Improvement Bonds outstanding.

2. Balance in the redemption fund.

3. Total assessed value of all parcels in the Reassessment District subject to the annual assessment.

4. The amount of delinquencies in the payment of reassessments for the most recent fiscal year, the cumulative amount of reassessments which are delinquent and not paid, and the status of any enforcement proceedings or foreclosure actions instituted by the City to collect delinquent reassessments.

5. For each owner of parcels in the Reassessment District which in the aggregate secure more than five percent (5%) of the annual reassessment levy for the year to which the report relates, the following from the most recently available County assessor's roll: (i) the name of such owner, (ii) the APN number or numbers of all parcels in the Reassessment District owned by such owner, (iii) the assessed value of such parcels (broken out by land, improvements and total), and (iv) the percentage share of the reassessment levy for the year to which the report relates.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, 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) Contingent or unscheduled bond calls.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities.

(11) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. <u>Additional Information</u>. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. <u>Default</u>. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: September 8, 2010

CITY OF FOWLER

By: ______________________________

Name: ______________________________

Title: ______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Fowler Public Financing Authority
Name of Issue:	Fowler Public Financing Authority 2010 Refunding Revenue Bonds
Date of Issuance:	September 8, 2010

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of September 1, 2010, between the Authority and Union Bank, N.A., as trustee. The City anticipates that the Annual Report will be filed by ________________.

Dated:__________________

DISSEMINATION AGENT:

____

By: __________________________
Its: __________________________

APPENDIX I

PROPOSED FORM OF LEGAL OPINION

September 8, 2010

Fowler Public Financing Authority
128 South Fifth Street
Fowler, California 93625

***OPINION**:* $4,435,000 Fowler Public Financing Authority
2010 Revenue Refunding Bonds

Members of the Authority:

We have acted as bond counsel to the Fowler Public Financing Authority (the "Authority") in connection with the delivery by the Authority of $4,435,000 aggregate principal amount of bonds of the Authority designated the "Fowler Public Financing Authority 2010 Revenue Refunding Bonds" (the "Bonds"), issued pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), and pursuant to an Indenture of Trust dated as of September 1, 2010 (the "Indenture"), between the Authority and Union Bank, N.A., as trustee. We have examined the Bond Law, an executed copy of the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a public agency duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Authority and are legal, valid and binding obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. Pursuant to the Bond Law, the Indenture establishes a valid lien on and pledge of the Revenues (as such term is defined in the Indenture) for the security of the Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the “Tax Code”) and, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction is allowed for eighty percent (80%) of that portion of such financial institutions' interest expense allocable to interest payable with respect to the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Tax Code that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Bonds, or may cause the Bonds not to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX J

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is

the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants 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 Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX K

AUDITED FINANCIAL STATEMENTS OF THE CITY

FOR THE YEAR ENDED JUNE 30, 2009

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CITY OF FOWLER
COUNTY OF FRESNO
FOWLER, CALIFORNIA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2009

BORCHARDT, CORONA & FAETH
Accountancy Corporation
1540 E. Shaw Ave., Ste. 118
Fresno, California 93710-8008

CITY OF FOWLER
AUDIT REPORT
YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

BORCHARDT, CORONA & FAETH
Accountancy Corporation

Thomas R. Borchardt, CPA
Gustavo M. Corona, CPA
Scott A. Faeth, CPA

Independent Auditors' Report

To Honorable Members of City Council
City of Fowler, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fowler, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fowler, California's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 City of Fowler, California as of June 30, 2009, and, the respective changes in financial position and cash flows, where applicable, 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 May 25, 2010 on our consideration of the City of Fowler, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Borchardt, Corona & Faeth

May 26, 2010

1540 E. Shaw Avenue, Suite 118, Fresno, California 93710 • (559) 225-6891 • Fax (559) 225-6951 • http://www.bcf-cpa.com

CITY OF FOWLER
Management's Discussion and Analysis (MD&A)
June 30, 2009

INTRODUCTION

Our discussion and analysis of the City of Fowler's (City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were $24,241,183 at June 30, 2009.
- Overall expenses totaled $8,069,007 which were over revenues by $36,201.

OVERVIEW OF FINANCIAL STATEMENTS

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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the City operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets-the difference between the assets and liabilities- is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the City include government activities. Most of the City's basic services are included here, such as Community Development, Public Safety and general administration. Lease revenue funding and federal and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds-not the City as a whole. Funds are accounting devises that the City uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain revenues. The City has one kind of funds:

- Governmental funds - All of the City's basic services are included in governmental funds, which generally focus on (1) flow cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them.

- Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The City's combined net assets were $28,061,701 at June 30, 2009. See Table 1.

Table 1
Net Assets

	Governmental Activities 2009	Business-Type Activities 2009	Governmental Activities 2008	Business-Type Activities 2008	Total Percentage Change 2009-2008
Assets					
Cash	$ 6,913,783	$1,328,458	$ 5,631,791	$ 861,641	13.24
Cash with Fiscal Agent	472,902	—	496,721	—	(4.80)
Accounts Receivable	210,018	92,784	250,208	102,852	(15.89)
Intergovernmental Receivable	223,704	78,782	678,456	12,100	(56.07)
Assessments Receivable	1,576,270	—	1,666,480	—	(5.42)
Community Loans	513,691	—	410,437	—	25.00
Land Held for Resale	163,794	—	163,794	—	—
Deposits With Others	46,395	—	101,925	—	(55.46)
Capital Assets, Nondepreciable	1,322,423	2,131,733	1,332,423	2,005,033	3.81
Capital Assets, Net of Accumulated Depreciation	18,718,438	2,897,752	19,049,481	2,899,327	(1.62)
TOTAL ASSETS	29,146,778	6,527,497	29,884,795	5,880,953	0.36
Liabilities					
Accounts Payable	321,404	58,867	186,982	51,332	57.39
Accrued Liabilities	—	—	—	—	—
Accrued Interest Payable	84,000	—	86,940	—	(3.38)
Consumer Deposits	—	68,357	—	68,193	0.24
Debt Due in One Year	282,823	43,049	264,944	42,792	6.18
Long-Term Debt	4,217,368	1,941,008	4,400,000	1,725,639	0.53
TOTAL LIABILITIES	4,905,595	2,106,879	4,938,866	1,887,956	2.72
Net Assets					
Invested in Capital Assets, Net of Related Debt	15,638,881	3,052,730	15,781,885	3,145,156	(1.14)
Restricted for:					
Special Revenue	2,930,041	—	3,501,929	—	(16.33)
Debt Service	807,933	—	911,882	—	(11.40)
Capital Projects	2,504,834	—	2,035,372	—	23.07
Unrestricted	2,359,514	1,367,788	2,514,962	847,841	10.84
TOTAL NET ASSETS	$24,241,183	$4,420,618	$24,725,930	$3,992,997	(0.20)

Changes in Net Assets

The City's total revenues, including business-type activities, were $8,029,806. A majority of the revenue comes from various taxes, $5,127,330 (64%). Federal and state aid accounted for another $573,985 (7%) and combined charges for services totaled $2,041,734 (26%) of total revenues.

The total cost of all programs and services, including business-type activities, was $8,069,007. The City's expenses are predominately related to General Government and Public Safety (36%). Water Services accounted for 13% of total costs. The remaining expenses were for debt services.

Table 2
Changes in Net Assets

	Governmental Activities 2009	Business-Type Activities 2009	Governmental Activities 2008	Business-Type Activities 2008	Total Percentage Change 2009-2008
Revenues					
Program Revenues:					
Charges for Services	$ 744,683	$1,297,051	$ 678,530	$1,110,414	2.66
Operating Grants	573,985	—	657,036	—	(12.64)
Capital Grants	—	—	400,000	—	100.00
General Revenues:					
Taxes	5,127,330	—	5,071,969	—	1.09
Rental Income	58,101	—	62,279	—	(6.71)
Investment Income	50,592	—	107,316	—	(52.86)
Miscellaneous	178,064	—	127,147	—	40.05
Transfers In	1,038,637	11,337	—	—	100.00
Transfers Out	(1,049,974)	—	—	—	100.00
TOTAL REVENUES	6,721,418	1,308,388	7,304,278	1,110,414	(4.57)
Program Expenses					
General Government	3,433,590	—	3,088,211	—	11.18
Public Safety	1,541,016	—	2,180,843	—	(29.34)
Public Works	602,338	—	607,744	—	(0.89)
Community Development	575,981	—	533,438	—	7.98
Culture and Recreation	355,689	—	360,152	—	(1.24)
Interest on Long-Term Debt	679,526	—	722,984	—	(6.01)
Water Services	—	880,867	—	1,080,265	(18.46)
TOTAL EXPENSES	7,188,140	880,867	7,493,372	1,080,265	(5.69)
INCREASE (DECREASE) NET ASSETS	$ (466,722)	$ 427,521	$ (189,094)	$ 30,149	(75.34)

Governmental Activities

The cost of all governmental activities this year was $7,188,140.

Table 3 presents the cost of each of the City's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
General Government	$3,433,590	$3,088,211	$2,835,021	$2,482,090
Public Safety	1,541,016	2,180,843	1,470,798	2,053,441
Public Works	602,338	607,744	168,646	175,978
Community Development	575,981	533,438	379,758	(246,988)
Culture and Recreation	355,689	360,152	335,723	341,253
Interest on Long-Term Debt	679,526	722,984	679,526	722,984
TOTAL	$7,188,140	$7,493,372	$5,869,472	$5,528,760

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial performance of the City as a whole is reflected in its governmental funds as well. As the City completed the year, its governmental funds reported a combined fund balance of $6,571,460, slightly below last year's ending fund balance of $6,906,406.

General Fund Budgetary Highlights

Over the course of the year, the City revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved July 15, 2008. A schedule of the City's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the City had invested $25,068,346 in capital assets, comprised as shown in Table 4. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental Activities 2009	Business-Type Activities 2009	Governmental Activities 2008	Business-Type Activities 2008	Total Percentage Change 2009-2008
Non-Depreciated Assets	$ 1,322,423	$2,131,733	$ 1,322,423	$2,009,033	3.81
Depreciated Assets	24,950,000	4,396,870	24,798,125	4,348,408	0.72
Total Accumulated Depreciation	(6,243,862)	(1,499,118)	(5,748,664)	(1,449,081)	7.57
NET CAPITAL ASSETS	$20,031,561	$5,029,485	$20,371,884	$4,908,360	(0.82)

Long-Term Debt

At year-end, the City had $6,485,146 in debt, as shown in Table 5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table 5
Long-Term Debt

	Governmental Activities 2009	Business-Type Activities 2009	Governmental Activities 2008	Business-Type Activities 2008	Total Percentage Change 2009-2008
Revenue Bonds	$4,400,000	$ --	$4,610,000	$ --	(4.56)
Certificates of Participation	--	1,851,200	--	1,622,900	13.37
Note Payable	--	125,536	--	128,304	(0.61)
Capital Leases	40,122	--	53,025	--	24.33
Compensated Absences	60,069	8,229	54,944	9,227	6.47
TOTAL LONG-TERM DEBT	$4,500,191	$1,984,965	$4,717,969	$1,760,431	0.81

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the City was aware of several circumstances that could affect its future financial health:

- The uncertainty of federal and state funding can have a profound impact on the financial health of the City. Although no changes are currently anticipated, the federal budget was recently adopted and the state could implement midyear budget cuts, as it did during the 2004 fiscal year.
- The continuing increases in premiums for health care insurance and worker's compensation could have a significant effect on the future financial health of the City. Health care premiums are predicted to continue to increase into the foreseeable future.

- The budget assumptions used to prepare the budget for 2009 included no cost of living allowance (COLA), a growth factor of 1.02%, and salary step and column increase of 5.0%, although no increases have been budgeted due to the downturn of the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Ronney Wong
Finance Director
City of Fowler
128 South Fifth Street
Fowler, CA 93625

CITY OF FOWLER
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	$ 5,913,783	$1,326,456	$ 7,240,239
Investment held by fiscal agent:			
Restricted	472,902	–	472,902
Receivables:			
Consumer	210,018	92,794	302,812
Intergovernmental	223,704	78,762	302,466
Assessments	1,575,270	–	1,575,270
Community loans	513,051	–	513,051
Land held for resale	153,794	–	153,794
Deposits with others	45,395	–	45,395
Capital assets:			
Non-depreciable	1,322,423	2,131,733	3,454,156
Depreciable-net of accumulated depreciation	18,716,438	2,897,752	21,614,190
Total Assets	29,146,778	6,527,497	35,674,275
LIABILITIES:			
Accounts payable	321,404	53,667	375,071
Accrued interest payable	84,000	–	84,000
Consumer deposits	–	68,357	68,357
Noncurrent liabilities:			
Due in one year	282,823	43,949	326,772
Due in more than one year	4,217,368	1,941,006	6,158,374
Total Liabilities	4,905,595	2,106,979	7,012,574
NET ASSETS:			
Invested in capital assets, net of related debt	15,638,861	3,052,750	18,691,611
Restricted for:			
Special revenue	2,930,041	–	2,930,041
Debt service	807,933	–	807,933
Capital projects	2,504,834	–	2,504,834
Unrestricted	2,359,514	1,367,766	3,727,282
Total Net Assets	$24,241,183	$4,420,516	$28,661,701

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
FUNCTION/PROGRAMS:						
Governmental activities						
General government	$3,433,590	$ 598,569	$ –	$(2,835,021)	$ –	$(2,835,021)
Public safety	1,541,016	10,727	59,491	(1,470,798)	–	(1,470,798)
Public works	602,328	–	433,682	(168,646)	–	(168,646)
Community development	575,991	118,882	77,351	(379,758)	–	(379,758)
Culture and recreation	355,889	16,525	3,641	(335,723)	–	(335,723)
Interest on long-term debt	679,528	–	–	(679,528)	–	(679,528)
Total Governmental Activities	7,188,140	744,683	573,385	(5,888,472)	–	(5,888,472)
Business-type activities:						
Water	880,867	1,297,051	–	–	416,184	416,184
Total Function/Programs	$8,069,007	$2,041,734	$573,385	(5,888,472)	416,184	(5,472,288)
General Revenues:						
Taxes:						
Property				3,178,085	–	3,178,085
Sales				1,804,426	–	1,804,426
Franchise				199,869	–	199,869
Utility				406,960	–	406,960
Other				141,044	–	141,044
Motor vehicle in-lieu taxes				436,926	–	436,926
Rental income				58,101	–	58,101
Investment income				50,592	–	50,592
Miscellaneous				178,064	–	178,064
Transfers in				1,038,637	11,337	1,049,974
Transfers out				(1,049,974)	–	(1,049,974)
Total General Revenues and Transfers				5,402,750	11,337	5,414,087
Changes in Net Assets				(485,722)	427,521	(58,201)
Net Assets, Beginning				24,729,930	3,992,997	28,722,927
Prior Period Adjustment				(3,025)	–	(3,025)
Net Assets, Ending				$24,241,183	$4,420,518	$28,661,701

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Fowler Redevelopment Agency LMIH Special Revenue Fund	Fowler Public Financing Authority Debt Service Fund	Fowler Redevelopment Agency FHA Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	$1,758,572	$ 905,754	$472,902	$1,060,870	$4,312,006	$ 8,510,104
Accounts receivable	79,762	–	–	61,475	68,781	210,018
Due from other funds	60,065	96,009	–	–	–	156,074
Due from other agencies	–	–	–	201,646	22,058	223,704
Advances to other funds	–	57,212	–	142,786	1,056,660	1,256,658
Prepaid deposits	39,026	–	–	–	6,369	45,395
Property held for sale	–	–	–	–	153,794	153,794
Total Assets	$1,937,425	$1,058,975	$472,902	$1,466,777	$5,619,668	$10,555,747
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Cash deficit	$ –	$ –	$ –	$ 333,327	$1,790,092	$ 2,123,419
Accounts payable	239,145	36,330	–	45,223	706	321,404
Due to other funds	–	–	–	121,065	35,009	156,074
Advances from other funds	1,317,588	–	–	–	5,733	1,323,321
Compensated absences	52,040	–	–	8,029	–	60,069
Total Liabilities	1,608,773	36,330	–	507,644	1,831,540	3,984,287
Fund Balances:						
Reserved for:						
Special purpose	–	1,022,645	–	–	1,907,396	2,930,041
Debt service	–	–	472,902	–	335,031	807,933
Capital projects	–	–	–	959,133	1,545,701	2,504,834
Unreserved	328,652	–	–	–	–	328,652
Total Fund Balances	328,652	1,022,645	472,902	959,133	3,788,128	6,571,460
Total Liabilities and Fund Balances	$1,937,425	$1,058,975	$472,902	$1,466,777	$5,619,668	$10,555,747

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances - governmental funds balance sheet	$ 6,571,460
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources, and, therefore, are not reported in the governmental funds.	20,038,861
Long-term liabilities were not due and payable in the current period, therefore, they were not reported in the governmental fund balance sheet.	(4,440,122)
Unmatured interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(84,000)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	2,088,321
Interagency receivables liquidated.	66,663
Net assets of governmental activities - statement of net assets	$24,241,183

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Fowler Redevelopment Agency LMIH Special Revenue Fund	Fowler Public Financing Authority Debt Service Fund	Fowler Redevelopment Agency FHA Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$2,283,084	$ 298,337	$ -	$1,168,654	$ 665,742	$4,405,797
Licenses and permits	88,468	-	-	-	-	88,468
Fines and penalties	27,080	-	-	-	-	27,080
Revenue from use of money and property	31,062	-	480,008	77,074	560	588,700
Charges for services	673,880	-	-	-	-	673,880
Intergovernmental revenue	71,519	-	-	-	546,630	618,149
Miscellaneous	330,349	-	-	-	72,362	402,711
Total Revenues	3,519,370	298,337	480,008	1,245,728	1,274,290	6,818,733
EXPENDITURES:						
General government	1,332,341	305,737	-	1,201,776	-	2,839,854
Public safety	1,422,875	-	-	-	111,183	1,533,858
Public works	587,617	-	-	-	-	587,617
Community development	528,555	-	-	-	-	528,555
Parks and recreation	181,888	-	-	-	-	181,888
Contractual services	-	-	-	-	342,147	342,147
Capital outlay	80,609	-	-	-	81,485	162,090
Debt service:						
Principal	-	-	210,000	50,000	119,011	379,011
Interest	-	-	293,827	72,736	218,902	585,465
Total Expenditures	4,133,479	305,737	503,827	1,324,512	862,728	7,141,343
Excess (Deficiency) of Revenues Over Expenditures	(627,109)	(7,400)	(23,819)	(78,784)	411,562	(329,610)
Other Financing Sources (Uses):						
Operating Transfers In	907,933	-	-	530,703	-	1,038,636
Operating Transfers Out	(11,337)	-	-	-	(1,038,637)	(1,049,974)
Other Financing Uses	(10,080)	-	-	-	-	(10,080)
Total Other Financing Sources (Uses)	486,530	-	-	530,703	(1,038,637)	(21,396)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(130,573)	(7,400)	(23,819)	451,919	(627,075)	(336,948)
Fund Balance, Beginning	456,275	1,030,048	496,721	507,844	4,416,203	6,908,408
Fund Balance, Ending	$ 325,602	$1,022,648	$472,902	$ 959,133	$3,789,128	$ 6,671,460

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Net change in fund balances - total governmental funds	($336,948)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.	161,875
Depreciation expense on capital assets is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(494,898)
Principal repayments for CDBG loans considered as program income in fund statement are not recognized in the statement of activities.	64,348
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.	222,903
Additional accrued interest calculated on bonds and notes payable.	(84,000)
Change in net assets of governmental activities - statement of activities	($466,722)

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Water Fund
ASSETS:	
Current Assets:	
Cash and cash equivalents	$1,326,456
Consumer receivables	92,794
Due from other agencies	78,762
Total Current Assets	1,498,012
Noncurrent Assets:	
Capital assets:	
Non-depreciable	2,131,733
Depreciable-net of accumulated depreciation	2,897,752
Total Noncurrent Assets	5,029,485
Total Assets	6,527,497
LIABILITIES:	
Current Liabilities:	
Accounts payable	53,667
Deposits	68,357
Current portion of certificates of participation	23,300
Current portion of note payable	12,429
Compensated absences	8,220
Total Current Liabilities	165,973
Noncurrent Liabilities:	
Certificate of participation	1,827,900
Water note payable	113,106
Total Liabilities	2,106,979
NET ASSETS:	
Invested in capital assets, net of related debt	3,052,750
Unrestricted	1,367,768
Total Net Assets	$4,420,518

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water Fund
OPERATING REVENUE:	
Charges for services	$1,285,307
OPERATING EXPENSES:	
Personnel costs	373,039
Materials and supplies	67,991
Contract services	70,433
Utilities	113,618
Repairs and maintenance	48,319
Rent and leases	40,450
Other	22,619
Depreciation	50,037
Total Operating Expenses	786,506
Operating Income	498,801
NON-OPERATING REVENUES (EXPENSES):	
Water connection fees	11,744
Other revenue	11,337
Interest expense	(94,361)
Total Non-Operating Revenues (Expenses)	(71,280)
Change in Net Assets	427,521
Net Assets, Beginning	3,992,997
Net Assets, Ending	$4,420,518

The accompanying notes are an integral part of this statement.

CITY OF FOWLER
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water Fund
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Cash received from customers	$1,318,446
Cash payments to suppliers for goods and services	(366,809)
Cash payments to employees for services	(374,046)
Net Cash Provided (Used) By Operating Activities	577,591
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital asset adjustment	(175,162)
Principal paid on long-term debt	(34,440)
Interest paid on long-term debt	(94,361)
Cash flow from new debt	191,187
Net Cash Flows From Capital and Related Financing Activities	(112,776)
Increase (Decrease) in Cash and Temporary Cash Investments	464,815
Cash and Cash Investments, Beginning of Year	861,641
Cash and Cash Investments, End of Year	$1,326,456

Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities

Operating income	$ 427,521
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	50,037
Changes in Assets and Liabilities:	
(Increase) decrease in consumer receivables	10,058
(Increase) decrease in due from other agencies	(66,682)
(Increase) decrease in other asset	(175,162)
Increase (decrease) in accounts payable	2,335
Increase (decrease) in consumer deposits	164
Increase (decrease) in other liabilities	(1,007)
Increase (decrease) in long-term debt	217,531
Net Cash Provided (Used) by Operating Activities	$ 464,815

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

CITY OF FOWLER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Fowler, California was incorporated June 15, 1908. The City is a general law city and as such draws its authority from the Constitution and laws of the State of California. The City has a council/manager form of government and is governed by a five member elected council. The City Manager is appointed by the City Council. The City provides the following services: police and fire protection, street construction and maintenance, public improvements, planning and zoning, recreation, and general administrative services. The City also operates the water utility enterprise.

The accounting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public accountants in the publication entitled *Audits of State and Local Governmental Units*.

B. Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of Fowler
Blended Component Units:	Redevelopment Agency of the City of Fowler Fowler Public Financing Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same of substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Component Unit	Brief Description/Inclusion Criteria	Reporting
Redevelopment Agency of the City of Fowler	The Redevelopment Agency of the City of Fowler was adopted by the Fowler City Council on July 6, 1983, Ordinance No. 83-2. The Agency's function is the designation of project areas, designation of certain projects, development of environmental impact reports, negotiations with the County and other governmental agencies concerning the property taxes. It also has the power to issue bonds. The current City Council serves as entire governing body (Trustees). Any issuance of debt would require a two-thirds approval of the City Council.	Debt Service Fund Capital Projects Fund
Fowler Public Financing Authority	The Fowler Public Financing Authority is a joint exercise of powers agency duly organized and existing under the laws of the State of California. The Authority's specific and primary purpose is to provide financial assistance to the City of Fowler by acquiring qualified obligations from the City which were issued for the acquisition, construction, and improvement of public facilities and property. The current City Council serves as entire governing body (Trustees). Any issuance of debt would require a two-thirds approval of the City Council.	Debt Service Fund

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements. The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund. This fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Fowler Public Financing Authority (PFA) Debt Service Fund. This fund accounts for PFA debt.

Redevelopment Agency of the City of Fowler Debt Service Fund. This fund is used as a conduit for the repayment of debt acquired by the RDA.

1994-1 Assessment District Debt Service Fund. This fund is used as a conduit for the repayment of debt acquired to improve an assessment district.

Redevelopment Agency of the City of Fowler Capital Projects Fund. This fund is used to account for resources acquired for the improvement of the Redevelopment Area.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. Assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

Water Fund. This fund accounts for financial activity of the water utility system.

In addition, the City reports the following fund type:

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 the proprietary funds include the costs of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences and arbitrage are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

E. <u>Budgets and Budgetary Accounting</u>

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Formal budgetary integration is employed as a management control device during the year for all Governmental Fund types and Proprietary Fund types. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

2. The City Council approves the line item budget appropriations and also approves all additions or transfers of budgeted amounts.

3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.

4. The budget amounts shown in the financial statements are the final authorized amounts revised during the year.

F. <u>Cash and Investments</u>

Under the City's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (L.A.I.F.). Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools. Information regarding the amount of dollars invested in derivatives, if any, with L.A.I.F. was not available.

G. <u>Cash and Cash Equivalents</u>

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary funds are pooled with the City's pooled cash and investments.

H. <u>Use of Estimates</u>

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. <u>Receivables and Payables</u>

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "interfund advances receivable/payable" (i.e., the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Proprietary fund receivables are shown net of an allowance for uncollectible accounts. All customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

Property taxes are assessed collected and allocated by Fresno County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1st
Levy Date	July 1st to June 30th
Due Dates	November 1st, 1st installment, February 1st, 2nd installment
Delinquent Dates	December 10th, 1st installment, April 10th 2nd installment

J. <u>Inventory</u>

Inventory items are recorded as expenditures at the time of purchase. Records are not maintained of inventory and supplies on hand.

K. <u>Use of Restricted/Unrestricted Net Assets</u>

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

L. <u>Capital Assets</u>

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated usefull lives:

<u>Asset Class</u>	Estimated <u>Useful Lives</u>
Buildings	10 - 50 Years
Improvements	5 - 10 Years
Machinery and Equipment	3 - 25 Years
Infrastructure	20 - 40 Years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2008-09 basic financial statements.

The City defines infrastructure as capital assets that are stationary and have expected useful lives significantly in excess of most capital assets. The assets include the street system, water purification and distribution system, sewer collection and treatment system, park and recreation improvement, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business.

L. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned or unused vacation leave. Vacation is accumulated at 6-2/3 hours per month for full-time regular employees with less than 5 years service to a maximum of 13-1/3 hours per month for full-time regular employees with over 10 years of service. Maximum vacation leave accumulated may not exceed 320 hours at any one time. Vacation leave may be taken as determined by the employee's Department Head, City Manager, or Council (in case of Department Heads) with due consideration for the employee's wishes and needs of the service provided.

Accumulated unpaid vacation pay is accrued for the Proprietary Funds when incurred. At June 30, 2009 the amount of accrued vacation pay was $8,220 for the Enterprise Funds.

(2) Cash and Investments

The investment policy of the City is consistent with guidelines set forth under State of California Government Code Section 53602 and serves to maximize investment income consistent with safe and prudent investment practices. All surplus funds are managed by the Finance Director in compliance with the Statement of Investment Policy adopted by the City Council which delegates to the Finance Director the authority to invest city funds and to deposit securities.

The City follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances.

(a) Collateral for Deposits

The City of Fowler maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the statement of net assets as cash and cash equivalents. The carrying amount of the City's cash deposits was $4,975,390 at June 30, 2009. The general bank balance at June 30, 2009 was $5,702,941 which was either insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of the pledged securities must equal at least 110% of a city's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits.

(b) Local Agency Investment Fund (LAIF)

The City participates in an external investment pool, as defined by GASB Statement No. 31, by way of its funds on deposit in the LAIF managed by the State of California. These funds are pooled with those of other agencies in the State and invested in accordance with state guidelines. Substantially all information required for the GASB Statement No. 31 disclosure was unavailable at the time these financial statements were prepared. The balance of $1,791,947 approximates the fair value. Investment gains and losses are shared proportionately by all members of LAIF and paid quarterly to each member. Investment in LAIF is not subject to risk categorization.

(c) Authorized Investments

The balance of $472,902 includes the bond issue proceeds trust accounts which consist of proceeds from bonds which are unspent or reserved. These funds are required to be held by outside fiscal agents under the provisions of the bond agreements. The California Government Code provides these monies in the absence of specific statutory provision governing the issuance of the certificates, may be invested in accordance with ordinance, resolutions, or indentures specifying the types of investments the fiscal agent may make. These investments are generally more restrictive than the City's investment policy, and at no time have additional investments not permitted by the City's investment policy been authorized.

Under provisions of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

Securities of the U.S. Government, or its agencies	Local agency investment fund deposits (state pool)
Certificates of deposit (or time deposits) placed with commercial banks and/or savings & loan companies	Passbook savings account demand deposits
Negotiable certificates of deposit	Small business administration loans
Bankers' acceptances	Repurchase agreements
Commercial paper	Reverse repurchase agreements

All of the City's investment activities are within state statutes and the City's investment policy. During the year ended June 30, 2009, the City did not utilize investment types different from those categorized below. A summary of investment securities by category as of June 30, 2009 is as follows:

	Fair Value
State treasurer investment pool (LAIF)	$1,791,947

The fair value of investments held in the City Treasury grouped by maturity at June 30 2009, is as shows below:

Maturity	
Current to one year	$1,791,947

(d) Cash and Investments

The summary of pooled cash and investments at June 30, 2009 is as follows:

Cash on hand	$ 1,200
Primary government deposits	5,447,092
Local agency investment fund	1,791,947
Cash with a fiscal agent/trustee	472,902
Total cash and cash equivalents	$7,713,141

Cash and investments are reported on the government-wide statement of net assets as follows:

Cash and cash equivalents	$7,240,239
Cash with a fiscal agent/trustee	472,902
Total cash and cash equivalents	$7,713,141

(e) Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

(f) Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

(g) Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City invests solely in the Local Agency Investment Fund. All other assets are cash equivalents held in financial institution savings or checking accounts.

(h) Custodial Credit Risk

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

None of the City's deposits that were in excess of federal depository insurance limits with financial institutions were held in uncollateralized accounts.

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

(3) Interfund Transactions

(a) Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal years.

	Due From Other Funds	Due to Other Funds
Major Funds:		
General Fund	$ 60,065	$ -
Redevelopment Agency Special Revenue Fund	96,009	-
Redevelopment Agency Capital Projects Fund	-	121,065
Non-Major Governmental Funds	-	35,009
Total	$156,074	$156,074

(b) Long-Term Interfund Advances

At June 30, 2009, the funds below have made advances that were not expected to be repaid in one year or less.

	Advances To Other Funds	Advances From Other Funds
Major Funds:		
General Fund	$ -	$1,317,588
Redevelopment Agency Special Revenue Fund	57,212	-
Redevelopment Agency Capital Projects Fund	142,788	-
Non-Major Governmental Funds	1,056,661	5,733
Proprietary Fund	66,660	-
Total	$1,323,321	$1,323,321

4. Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions as of the beginning of the fiscal year in the government-wide statement of net assets. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on capital assets:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,032,045	$ -	$ -	$ 1,032,045
Construction In Progress	290,378	-	-	290,378
Total capital assets not being depreciated	1,322,423	-	-	1,322,423
Capital assets being depreciated:				
Buildings and improvements	1,355,171	16,846	-	1,372,017
Machinery and equipment	2,068,188	79,842	-	2,148,030
Infrastructures	21,374,766	65,187	-	21,439,953
Total capital assets being depreciated	24,798,125	161,875	-	24,960,000
Less accumulated depreciation for:				
Buildings and improvements	704,296	65,701	-	769,997
Machinery and equipment	1,299,693	246,368	-	1,546,061
Infrastructures	3,744,675	182,829	-	3,927,504
Total accumulated depreciation	5,748,664	494,898	-	6,243,562
Total capital assets being depreciated, net	19,049,461	(333,023)	-	18,716,438
Governmental activities capital assets, net	20,371,884	(333,023)	-	20,038,861
Business-Type Activities:				
Capital assets not being depreciated:				
Land	64,346	126,700	-	191,046
Construction In Progress	1,940,687	-	-	1,940,687
Total capital assets not being depreciated	2,005,033	126,700	-	2,131,733
Capital assets being depreciated:				
Machinery and equipment	92,529	36,650	-	129,179
Infrastructures	4,255,879	11,812	-	4,267,691
Total capital assets being depreciated	4,348,408	48,462	-	4,396,870
Less accumulated depreciation for:				
Machinery and equipment	10,339	12,151	-	22,490
Infrastructures	1,438,742	37,886	-	1,476,628
Total accumulated depreciation	1,449,081	50,037	-	1,499,118
Total capital assets being depreciated, net	2,899,327	(1,575)	-	2,897,752
Business-type capital assets, net	4,904,360	125,125	-	5,029,485
Total capital assets	$25,276,244	($207,898)	$ -	$25,068,346

For the year ended June 30, 2009, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	$251,590
Public safety	7,156
Public works	14,721
Community development	47,427
Parks and recreation	174,004
Total	$494,898

5. Loan Receivables

As part of the City's development plan, the City of Fowler applied for and received Community Development Block Grants from the U.S. Department of Housing and Urban Development. These grants will be used to provide loan funding for small businesses in the City of Fowler. The purpose is to develop growth and create jobs in the community of Fowler. The loans are made at reasonable rates.

During the 2008-09 fiscal year, Vermeer, Inc. ceased operations and is no longer obligated to make payments on their loan. The outstanding loan balance prior to closure of the company was $68,025.

2% loan to Seattle Tacoma Box Co. due in monthly installments of $921 including principal and interest with a balloon payment of $33,448 due on September 15, 2008	$ 2,822
2% loan to Beauzekom of CA, Inc. due in monthly installments of $995 including principal and interest with a balloon payment of $59,413 due on February 15, 2009	51,542
2% loan to Beauzekom of CA, Inc. due in monthly installments of $1,677 including principal and interest with a balloon payment of $89,948 due on April 15, 2009	81,888
2% loan to Bobby Salazar Fund, Inc. due in monthly installments of $821 including principal and interest with a balloon payment of $33,267 due on February 15, 2007	16,031
2% loan to Bobby Salazar Fund, Inc. due in monthly installments of $1,154 including principal and interest with a balloon payment of $41,443 due on November 15, 2008	54,205
2% loan to Herman Prins (H & H Tire) due in monthly installments of $462 including principal and interest with a balloon payment of $16,116 due on November 15, 2007	10,478
2% loan to Dale Brisco, Inc. due in monthly instalments of $1,200 including principal and interest with a balloon payment of $43,101 due on September 15, 2010	133,226
2% loan to Fratellos, Inc. due in monthly installments of $1,192 including principal and interest	59,200
2% loan to Bratton Group due in monthly instalments of $1,341 including principal and interest	103,659
Total Loans Receivable	$513,051

6. Amount to be Provided by Special Assessments

The City established the following assessment districts in order to fund improvements within the City of Fowler. The property owners within the districts are responsible for the following at June 30, 2009:

Assessment City 1993-1	$ 215,907
Assessment City 1994-1	1,359,363
	$1,575,270

Future commitments to the City follow:

Year Ended June 30	
2010	$ 179,371
2011	175,680
2012	180,086
2013	184,815
2014	182,661
2015 - 2019	889,061
2020 - 2024	889,017
	2,683,691
Interest	(1,108,421)
Total	$1,575,270

7. Long-Term Obligations

(a) Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2009, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Revenue Bonds	$4,610,000	$ –	$210,000	$4,400,000	$210,000
Capital Leases	*53,025	–	12,903	40,122	12,754
Compensated Absences	54,944	60,069	54,944	60,069	60,069
	4,717,969	60,069	277,847	4,500,191	282,823
Business-type activities:					
State of California:					
Certificates of Participation	1,632,900	240,600	22,300	1,851,200	23,300
Department of Water Resources Note	126,304	11,371	12,140	125,535	12,429
Compensated Absences	9,227	8,220	9,227	8,220	8,220
	1,768,431	260,191	43,667	1,984,955	43,949
	$6,486,400	$320,260	$321,514	$6,485,146	$326,772

*Beginning balance was adjusted to report $53,025 of capital leases not previously reported.

(b) Revenue Bonds

The Revenue Bonds were issued in 1993 and 1994. The proceeds will be used to complete various community development projects. The Bonds mature through September 2023 with interest ranging from 3.75% to 7.75%. The outstanding revenue bonds of the City of Fowler at June 30, 2009 are as follows:

Date of Issue	Interest Rate%	Maturity Date	Original Issue	Outstanding July 1, 2008	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2009
2000	5.00 - 6.60	2023	$6,175,000	$4,600,000	$ –	$210,000	$4,400,000

The annual requirements to amortize revenue bonds outstanding as of June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 210,000	$ 281,418	$ 491,418
2011	220,000	268,622	488,622
2012	235,000	254,855	489,855
2013	245,000	240,092	485,092
2014	260,000	224,308	484,308
2015 - 2019	1,380,000	866,646	2,246,646
2020 - 2024	1,850,000	326,363	2,176,363
Totals	$4,400,000	$2,462,304	$6,862,304

(c) Capital Leases

The City leases transportation equipment and office instruments valued at $63,768 under agreements that provide for title to pass upon expiration of the leases. Future minimum lease payments are as follows:

Year Ending June 30	
2010	$13,274
2011	13,274
2012	8,075
2013	7,036
2014	585
	42,244
Interest	(2,123)
Present Value of Net Minimum Lease Payments	$40,121

The City will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

During the year, the City made payments on capital leases of $12,211, of which $476 represents interest.

(d) State of California Department of Water Resources Note

The State of California Department of Water Resources note is due in annual installments based upon a changing percentage of the original principal amount. The interest for the first five years of the note was deferred and is being paid in equal annual installments over the remaining life of the note.

The annual requirements to amortize the long term notes outstanding as of June 30, 2009 are as follows:

Year Ending June 30	Principal	Interest	Deferred Interest	Total
2010	$ 11,555	$ 2,876	$ 875	$ 15,306
2011	11,844	2,587	875	15,306
2012	12,134	2,291	875	15,300
2013	12,460	1,988	875	15,323
2014	12,750	1,676	875	15,301
2015 - 2019	54,296	3,436	4,374	62,106
2020 - 2021	–	–	1,747	1,747
Total	$115,039	$14,854	$10,496	$140,389

(e) Certificates of Participation

On September 2, 2004, the City was awarded a loan from the United States Department of Agriculture, Rural Development Division, for a total of $1,935,000. The purpose of the loan is for water system improvements. As of June 30, 2009, the City has drawn $',632,900 at a stated interest rate of not more than 4.375% per annum. Principal payments will be due on September 15 of each year. Interest is due semi-annually on March 15 and September 15 of each year.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 23,300	$ 80,990	$ 104,290
2011	24,300	79,971	104,271
2012	25,400	78,908	104,308
2013	26,500	77,796	104,296
2014	27,600	76,637	104,237
2015 - 2019	157,600	363,856	521,456
2020 - 2024	195,100	326,349	521,449
2025 - 2029	241,700	279,777	521,477
2030 - 2034	299,500	222,053	521,553
2035 - 2039	370,900	150,566	521,466
2040 - 2041	459,400	62,011	521,411
Totals	$1,651,200	$1,799,014	$3,650,214

8. Classification of Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of those assets reduce this category.

Restricted net assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions of enabling legislation. Additionally, this category presents restrictions placed on the categories of capital projects, and specific projects and programs as established by the City Council.

Unrestricted net assets - This category represents the remaining net assets of the City, which are not restricted for any project or other purposes.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and management and can be increased, reduced or eliminated by similar actions. As of June 30, 2009, reservations of fund balance are described below:

Reserved For	Utility Users Tax Special Revenue Fund	Fowler Public Financing Authority Debt Service Fund	Fowler Redevelopment Agency Capital Project Fund	Other Governmental Funds
Special Purpose	$1,022,645	$ -	$ -	$1,907,396
Debt Service	-	472,902	-	335,031
Capital Projects	-	-	959,133	1,545,701

9. Pension Plans

Plan Description: The City of Fowler contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 "P" Street, Sacramento, CA 95814.

Funding Policy: Covered city employees are required to contribute as follows: safety employees 9%, miscellaneous other employees 8% of their annual covered salary. The City makes the contributions required of city employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 15.358% for non-safety employees, 21.637% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For the fiscal year 2008-09, the City's annual pension cost of $284,560 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 30 years.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	$210,081	100%	-0-
6/30/08	273,220	100%	-0-
6/30/09	284,560	100%	-0-

REQUIRED SUPPLEMENTARY INFORMATION ($ Amount in Thousands)

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	(C) Unfunded Actuarial Accrued Liability [(B) - (A)]	(D) Funded Ratio [(A) / (B)]	(E) Covered Payroll	(F) Unfunded Actuarial Liability as Percentage of Covered Payroll {[(B)-(A)]/(E)}
6/30/06	$2,321,606	$2,753,442	$431,836	84.32%	$481,987	(0.10%)
6/30/07	2,784,202	3,275,185	490,983	85.01%	576,829	(0.15%)
6/30/08	3,047,159	3,578,925	531,766	84.14%	625,180	(0.15%)

10. Deficit Fund Balances

The following individual funds had deficit fund balances at June 30, 2009:

Debt Service Funds:	
Hospital Improvements	$143,193
Merced Street	266,241
Public Improvement	118,723
Assessment District 94-1	408,120

The deficit fund balance is expected to be recovered with future resources from the RDA and City.

11. Excess Expenditures Over Appropriations

The following fund types had excess expenditures over appropriations for the year ended June 30, 2009:

Expenditure	Variance	Reason for Variance
General Fund:		
General Government	$ 5,293	Expenditures were expected to be funded by transfers
Public Safety	46,978	Expenditures were expected to be funded by transfers
Public Works	132,237	Received transfer of expenses from LTF to offset
Community Development	233,760	Due to engineering costs incurred for future and ongoing projects in excess of $300,000
Parks and Recreation	13,442	Expenditures were expected to be funded by transfers

12. Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Employment Risk Management Authority (ERMA). The relationship between the City and ERMA is such that ERMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first $1,000,000 of each general liability claim and $350,000 of each worker's compensation claim through the ERMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under $25,000 and worker's compensation losses under $10,000. The ERMA participates in an excess pool which provides general liability coverage from $1,000,000 to $10,000,000 and purchases excess reinsurance from $10,000,000 to $15,000,000. The ERMA participates in an excess pool which provides worker's compensation coverage from $350,000 to $500,000 and purchases excess reinsurance above $500,000 to the statutory limit.

The ERMA is a consortium of one hundred sixty (160) public entities in California. It was established under the provisions of California Government Code Section 6500 et seq. The ERMA is governed by a Board of Directors, which meets three times per year, consisting of one representative appointed by each member. The day-to-day business is handled by a management group employed by the ERMA. The financial position and results of operations for the ERMA as of June 30, 2009 are presented below:

Total Assets	$16,382,303
Total Liabilities	15,863,170
Members' Equity	$ 519,133
Total Revenues for Year	$ 7,740,857
Total Expenses for Year	5,480,391
Excess of income over (under) expenses	$ 2,260,466

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents.

At June 30, 2009 the City reported $39,026 in deposits in the General Fund related to the general liability and workers' compensation programs.

13. Contingent Liabilities

The City participates in various federal and state financial assistance programs. These programs are subject to program compliance audits by the grantors, which may be covered by the *Single Audit Act Amendments of 1997* and *OMB Circular A-133*. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

14. Deferred Compensation Plan

The City does not provide administrative nor investment advice for the Plan. Therefore, the City is not required to report the Plan assets and has excluded them from their financial statements.

Required Supplementary Information

CITY OF FOWLER
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

	Budget Amount Original	Budget Amount Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Property taxes	$2,121,400	$2,121,400	$2,283,064	$ 161,664
Licenses and permits	136,750	136,750	99,466	(37,284)
Fines and penalties	15,000	15,000	27,060	12,060
Revenue from use of money and property	15,000	15,000	31,062	16,062
Charges for services	623,550	623,550	673,850	50,300
Intergovernmental revenue	5,000	5,000	71,519	66,519
Miscellaneous	56,500	56,500	330,349	273,849
Total Revenues	2,973,200	2,973,200	3,516,370	543,170
EXPENDITURES:				
Current services:				
General government	1,327,048	1,327,048	1,332,341	(5,293)
Public safety	1,373,697	1,373,697	1,422,675	(48,978)
Public works	455,380	455,380	587,617	(132,237)
Community development	294,795	294,795	528,555	(233,760)
Parks and recreation	168,244	168,244	181,686	(13,442)
Capital outlay	1,014,500	1,014,500	80,805	933,695
Total Expenditures	4,633,664	4,633,664	4,133,479	500,186
Excess (Deficiency) of Revenues Over Expenditures	(1,660,464)	(1,660,464)	(617,109)	1,043,356
Other Financing Sources (Uses)				
Transfers in	1,530,900	1,530,900	507,933	(1,022,967)
Transfers out	-	-	(11,337)	(11,337)
Other Financing Uses	-	-	(10,060)	(10,060)
Total Other Financing Sources (Uses)	1,530,900	1,530,900	486,536	(1,044,364)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(129,564)	(129,564)	(130,573)	(1,009)
Fund Balance, Beginning	459,225	459,225	459,225	-
Fund Balance, Ending	$ 329,661	$ 329,661	$ 328,652	$ (1,009)

CITY OF FOWLER
REDEVELOPMENT AGENCY LMIH FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

	Budget Amount Original	Budget Amount Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Property taxes	$ 265,000	$ 265,000	$ 298,337	$33,337
EXPENDITURES:				
Current services:				
Community development	250,000	250,000	305,737	(55,737)
Net Change in Fund Balances	15,000	15,000	(7,400)	22,400
Fund Balance, Beginning	1,030,045	1,030,045	1,030,045	-
Fund Balance, Ending	$1,045,045	$1,045,045	$1,022,645	$22,400

Additional Auditors' Reports

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Members of the City Council
Fowler, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fowler, as of and for the year ended June 30, 2009, which collectively comprise the City of Fowler's basic financial statements and have issued our report thereon dated May 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-2, 2009-3, and 2009-4 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency.

Compliance and Other Matters

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

City of Fowler's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Fowler's response and, accordingly, we express no opinion on it.

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

Borchardt, Corona & Faeth

Fresno, California
May 25, 2010

Findings and Recommendations Section

A. Summary of Auditors' Results

(1) Financial Statements

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	_X_ Yes ___ No
Significant deficiency(ies) identified not considered to be material weakness(es)	_X_ Yes ___ None reported
Noncompliance material to financial statements noted?	___ Yes _X_ No

(2) Federal Awards	**Not Applicable**
Internal control over major programs:	
Material weakness(es) identified?	**Not Applicable**
Significant deficiency(ies) identified not considered to be material weakness(es)	**Not Applicable**
Type of auditors' report issued on compliance for major programs:	**Not Applicable**
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	**Not Applicable**
Identification of major programs:	**Not Applicable**
Dollar threshold used to distinguish between Type A and Type B programs	**Not Applicable**
Auditee qualified as low-risk auditee?	**Not Applicable**

B. Financial Statement Findings

Finding Identification

2009 - 1 *Internal Controls*

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require adequate internal controls to ensure all transactions are recorded and supported.

Condition

During our review of accounts payable and accounts receivable year-end balances, it was noted that these amounts had not been properly accrued by the City.

Effect

The accounts payable and related expenses were overstated by a net amount of $97,357; accounts receivable and related revenues were overstated by a net amount of $546,576.

Cause

Accounts payable and receivable year-end balances were not reviewed for completeness and accuracy.

Questioned Costs

None

Recommendation

It is recommended that City personnel review the accounts payable and accounts receivable year-end detail and reconcile these amounts back to the general ledger to ensure both amounts agree and are properly supported. Without these reports, the financial status of the City cannot be reasonably reported.

City Response

The City Finance Department will review the accounts payable and accounts receivable year-end detail and reconcile these amounts back to the general ledger to ensure both amounts agree and are properly supported.

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Finding Identification

2009 - 2 *Internal Controls*

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require adequate internal controls to ensure all transactions are recorded properly.

Condition

During our analysis of revenue we noted that current year receipts totaling $156,050 had not been posted to the general ledger due to an error in the Pentamation software program. We also noted that bank reconciliations were not being reviewed by management personnel to ensure that errors discovered during the preparation of the bank reconciliations were followed up and corrected.

Effect

The revenues reported in the City's internal financial records were not accurate. This exception also resulted in numerous audit adjustments to the City's accounting records.

Cause

The Pentamation Utility Billing software program did not properly interact with the general ledger and properly report all of the City's revenue. Bank reconciling items were not being followed through to resolve the errors, instead they were carried as reconciling items from month to month.

Questioned Costs

None

Recommendation

City personnel should ensure that all activity is properly recorded in their accounting software system and follow up with known software issues as soon as they are discovered. Personnel should also perform bank reconciliations on a timely basis and post reconciling items noted as differences between the bank and general ledger balances.

City Response

The City Finance Department will properly record and follow up with known issues on a monthly basis to ensure general ledger balances are recorded to match bank balances.

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Finding Identification

2009 - 3 *Internal Control*

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require adequate internal controls to ensure all transactions are recorded properly.

Condition

During our analysis of long-term debt activity in the City's Water Fund, we noted that current year activity for the Certificates of Participation was not properly posted. Much of the activity for the Certificates of Participation is in the form of wire transfers. Some of the current year payment activity in the amount of $103,000 was not properly posted to the general ledger.

Effect

The cash balance reported in the general ledger for the Water Fund and the long-term debt obligation related to the Certificates of Participation were both understated requiring audit adjusting journal entries to properly report the activity.

Cause

The entries necessary to record the additional debt activity were not posted in the general ledger by City personnel. This information would be noted by a timely and properly prepared bank reconciliation.

Questioned Costs

None

Recommendation

Personnel must ensure that all information relating to financial transactions conducted by the City are properly recorded and reconciled in the City's accounting software system.

City Response

The City Finance Department will ensure all financial transactions are posted timely.

CITY OF FOWLER
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Finding Identification

2009 - 4 *Internal Control*

Criteria or Specific Requirement

Accounting principles generally accepted in the United States of America require adequate internal controls to ensure all transactions are recorded properly.

Condition

During a review of interfund transfers reported in the City's general ledger, we noted that a transfer relating to Police and Fire department salaries made to the Utility Users Fund from the General Fund in the amount of $97,000 was not properly recorded.

Effect

The City's transfer of amounts between funds was not properly prepared and reported in the general ledger. This resulted in transfers in and out being out of balance by the $97,000.

Cause

City personnel did not review transfers between funds to confirm that they were properly reported.

Questioned Costs

None

Recommendation

City personnel should review interfund activity to ensure that transfers between funds are properly recorded in the City's accounting system.

City Response

The City Finance Department will ensure transfers between funds are properly recorded in the City's accounting system.

CITY OF FOWLER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

	Finding/Recommendation	Current Status	City Explanation if Not Implemented
1.	During our review of accounts payable and accounts receivable year-end balances, it was noted that these amounts had not been properly accrued by the City. It was recommended that City personnel review the accounts payable and accounts receivable year-end detail and reconcile these amounts back to the general ledger to ensure both amounts agree and are properly supported. Without these reports, the financial status of the City cannot be reasonably reported.	Not Implemented	The City Finance Department will review the accounts payable and accounts receivable year-end detail and reconcile these amounts back to the general ledger to ensure both amounts agree and are properly supported.

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APPENDIX L

AUDITED FINANCIAL STATEMENTS OF THE REDEVELOPMENT AGENCY

FOR THE YEAR ENDED JUNE 30, 2009

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REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
FOWLER, CALIFORNIA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2009

BORCHARDT, CORONA & FAETH
Accountancy Corporation
1540 E. Shaw Ave., Ste. 118
Fresno, California 93710-8008

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
AUDIT REPORT
YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

BORCHARDT, CORONA & FAETH
Accountancy Corporation

Thomas R. Borchardt, CPA
Gustavo M. Corona, CPA
Scott A. Faeth, CPA

Independent Auditors' Report

To the Honorable Members of the
Redevelopment Agency of the City of Fowler
Fowler, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Fowler, California (Agency), as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Redevelopment Agency of the City of Fowler, California, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, each major fund, and the aggregate remaining fund information of the of Redevelopment Agency of the City of Fowler, California, as of June 30, 2009, and respective changes in financial position, 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 December 28, 2009 on our consideration of the Redevelopment Agency of the City of Fowler, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the Redevelopment Agency of the City of Fowler, California's basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Borchardt, Corona & Faeth

December 28, 2009

1540 E. Shaw Avenue, Suite 118, Fresno, California 93710 • (559) 225-6891 • Fax (559) 225-6951 • http://www.bcf-cpa.com

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
Management's Discussion and Analysis (MD&A)
June 30, 2009

INTRODUCTION

Our discussion and analysis of the Redevelopment Agency of the City of Fowler's (Agency's) financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2009. It should be read in conjunction with the Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were $1,465,321 at June 30, 2009. This was a decrease of $62,440 (<4%) from the prior year.
- Overall expenditures were $1,606,505 which exceeded revenues by $62,440.
- Long-term debt decreased by $30,000.

OVERVIEW OF FINANCIAL STATEMENTS

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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the Agency operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental funds statements** tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net assets and how they have changed. Net assets the difference between the assets and liabilities is one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Agency, one needs to consider additional nonfinancial factors such as changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the Agency include government activities. Most of the Agency's basic services are included here, such as General Government, Community Development and interest on long term debt. Lease revenue and Property Taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's most significant funds, not the Agency as a whole. Funds are accounting devises that the Agency uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the Agency is meeting legal responsibilities for using certain revenues. The Agency has one kind of funds.

- Governmental funds - All of the Agency's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The Agency's combined net assets were $1,465,321 at June 30, 2009. See Table 1.

Table 1
Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Total Percentage Change 2009-2008
Assets			
Cash	$1,633,297	$ 562,975	>100.00
Lease Receivable	350,000	380,000	(7.89)
Intergovernmental Receivable	401,644	935,112	(57.05)
Notes Receivable	61,475	61,475	0.00
Capital Assets	135,000	665,703	(79.72)
TOTAL ASSETS	2,581,416	2,705,265	(4.58)
Liabilities			
Accounts Payable	81,555	115,774	(29.56)
Accrued Interest Payable	26,255	30,436	(13.74)
Accrued Liabilities	8,029	5,498	46.03
Due to Other Agencies	25,056	–	N/A
Long-Term Debt	975,200	1,025,200	(4.88)
TOTAL LIABILITIES	1,116,095	1,176,908	(5.17)
Net Assets			
Reserved	1,465,321	1,528,357	(4.12)
TOTAL NET ASSETS	$1,465,321	$1,528,357	(4.12)

Changes in Net Assets

The Agency's total revenues for 2009 were $1,544,065. A majority of the revenue comes from property taxes (95%).

The total cost of all programs and services was $1,606,605. The Agency's expenses are predominantly related to community development activities (70.75%). General government activities accounted for 23.08% of total costs. The remaining expenses were for debt services.

Table 2
Changes in Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Total Percentage Change 2009-2008
General Revenues:			
Property Taxes	$1,466,991	$1,310,828	11.91
Investment Income	26,999	49,205	(45.13)
Other Income	50,075	58,534	(14.46)
TOTAL REVENUES	1,544,065	1,418,567	8.85
Program Expenses			
General Government	370,992	408,751	(9.24)
Community Development	1,136,522	915,644	24.12
Interest on Long Term Debt	98,991	96,034	3.08
TOTAL EXPENSES	1,606,505	1,420,429	13.10
INCREASE (DECREASE) NET ASSETS	$ (62,440)	$ (1,862)	>100.00

Governmental Activities

The cost of all governmental activities this year was $1,606,605 and $1,420,429 for 2009 and 2008 respectively.

Table 3 presents the cost of each of the Agency's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
General Government	$ 370,992	$ 408,751	$ 370,992	$ 408,751
Community Development	1,136,522	915,644	1,136,522	915,644
Interest on Long Term Debt	98,991	96,034	98,991	96,034
TOTAL	$1,606,505	$1,420,429	$1,606,505	$1,420,429

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

The financial performance of the Agency as a whole is reflected in its governmental funds as well. As the Agency completed the year, its governmental funds reported a combined fund balance of $1,981,778, well below last year's ending fund balance of $1,538,290.

General Fund Budgetary Highlights

Over the course of the year, the Agency did not revise its annual budget. A schedule of the Agency's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Agency had invested $28,500 in depreciable capital assets and $665,703 in non-depreciable land improvements. See Table 4. More detailed information about the Agency's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental Activities		Total Percentage Change
	2009	2008	2009-2008
Land Improvements	$665,703	$665,703	N/A
Machinery and Equipment	28,500	28,500	N/A
Total Accumulated Depreciation	(28,500)	(28,500)	N/A
NET CAPITAL ASSETS	$665,703	$665,703	N/A

The Agency's fiscal year 2009-10 budget, projects a spending of $260,000 for a Low and Moderate Income Housing project.

Long-Term Debt

At year end, the Agency had $975,200 in debt, as shown in Table 5. More detailed information about the Agency's debt is presented in the notes to the financial statements.

Table 5
Long-Term Debt

	Governmental Activities		Total Percentage Change
	2009	2008	2009-2008
Lease Payable	$350,000	$ 380,000	(7.89)
Loan Payable	625,200	645,200	(3.10)
TOTAL LONG-TERM DEBT	$975,200	$1,025,200	(4.88)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the Agency was aware of several circumstances that could affect its future financial health:

- The continuing increases in premiums for health care insurance and worker's compensation could have a significant effect on the future financial health of the Agency. The 2009 premium for health insurance and worker's compensation increased significantly over the 2008 premium. Health care premiums are predicted to continue to increase into the foreseeable future.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Ronney Wong
Finance Director
City of Fowler
128 South Fifth Street
Fowler, CA 93625

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
ASSETS:	
Cash and cash equivalents	$1,966,624
Receivables:	
Notes	61,475
Lease	350,000
Intergovernmental	401,644
Capital Assets	135,000
Total Assets	2,914,743
LIABILITIES:	
Cash deficit	333,327
Accounts payable	81,555
Accrued interest payable	26,255
Compensated Absences	8,029
Due to Other Agencies	25,056
Noncurrent liabilities:	
Due in one year	47,000
Due in more than one year	928,200
Total Liabilities	1,449,422
NET ASSETS:	
Restricted for:	
Special revenue	959,133
Capital projects	506,188
Total Net Assets	$1,465,321

The accompanying notes are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	Governmental Activities
FUNCTION/PROGRAMS:				
Governmental activities:				
General government	$ 370,992	$ -	$ -	$ (370,992)
Community development	1,136,522	-	-	(1,136,522)
Interest on long-term debt	98,991	-	-	(98,991)
Total Function/Programs	1,606,606	-	-	(1,606,505)
General Revenues:				
Taxes:				
Property				1,466,991
Investment Income				28,999
Other Income				50,075
Total General Revenues				1,544,065
Changes in Net Assets				(62,440)
Net Assets, Beginning				1,527,761
Net Assets, Ending				$1,465,321

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

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	LMIH Special Revenue Fund	Fowler Redevelopment Agency Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 905,764	$1,060,870	$1,966,624
Notes receivables	–	61,476	61,475
Due from other funds	96,009	–	96,009
Due from other agencies	–	201,646	201,646
Advances from other agencies	67,212	142,766	199,998
Total Assets	$1,058,975	$1,466,777	$2,525,752
LIABILITIES AND FUND BALANCE			
Liabilities			
Cash deficit	$ –	$ 333,327	$ 333,327
Accounts payable	36,330	45,223	81,554
Compensated absences	–	8,029	8,029
Due to other funds	–	96,009	96,009
Due to other agencies	–	25,058	25,058
Total Liabilities	36,330	507,644	543,974
Fund Balances			
Reserved for			
Capital projects	1,022,645	959,133	1,981,778
Total Fund Balances	1,022,645	959,133	1,981,778
Total Liabilities and Fund Balances	$1,058,975	$1,466,777	$2,525,752

The accompanying notes are an integral part of this statement

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances - governmental funds balance sheet	$1,981,778
Long-term liabilities were not due and payable in the current period, therefore, they were not reported in the governmental fund balance sheet	(975,200)
Unmatured interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due	(26,255)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds	350,000
Capital assets used in governmental activities are not reported in the funds	135,000
Rounding	(2)
Net assets of governmental activities - statement of net assets	$1,465,321

The accompanying notes are an integral part of this statement

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	LMIH Special Revenue Fund	Fowler Redevelopment Agency Capital Project Fund	Total Governmental Funds
REVENUES:			
Property taxes	$ 298,337	$1,168,654	$1,466,991
Investment income	-	26,999	26,999
Other income	-	50,075	50,075
Total Revenues	298,337	1,245,728	1,544,065
EXPENDITURES:			
Current services:			
General government	-	370,992	370,992
Community development	305,737	830,785	1,136,522
Debt service:			
Principal	-	50,000	50,000
Interest	-	72,736	72,736
Total Expenditures	305,737	1,324,513	1,630,250
Excess (Deficiency) of Revenues Over Expenditures	(7,400)	(78,785)	(86,185)
Other Financing Sources (Uses)			
Other Financing Sources	-	530,703	530,703
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(7,400)	451,918	444,518
Fund Balances, Beginning	1,030,045	507,215	1,537,260
Fund Balances, Ending	$1,022,645	$ 959,133	$1,981,778

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

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Net change in fund balances - total governmental funds	$444,518
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.	50,000
Disposition of property not reported for in governmental statements	(530,703)
Additional accrued interest calculated on bonds and notes payable.	(26,255)
Change in net assets of governmental activities - statement of activities	$ (62,440)

The accompanying notes are an integral part of this statement.

1. Summary of Significant Account Policies

The Agency was established pursuant to the Community Redevelopment laws of the State of California. The Redevelopment Agency of the City of Fowler was established and adopted by the Fowler City Council on July 5, 1983, Ordinance No. 83-2. The general objectives of the Agency are to eliminate and mitigate existing and anticipated blight within the project area. These objectives are to be attained by the development or encouragement thereof, of residential and commercial facilities in the project area. It also has the power to issue bonds.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

(a) Reporting Entity

The Agency, for financial purposes, includes all the funds and account groups relevant to the operations of the Redevelopment Agency of the City of Fowler. The Redevelopment Agency of the City of Fowler is a component unit of the City of Fowler. In accordance with GASB Code Sec. 2100, "Defining the Reporting Entity," the Agency. The Agency's financial activities will be included in their entirety with the financial activities of the City of Fowler for reporting purposes.

(b) Basis of Presentation, Basis of Accounting

(1) Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Agency. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements: The Agency segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Agency has presented the following major governmental funds:

Governmental Fund Types

Special Revenue Funds

The Special Revenue Funds are used to account for the accumulation of resources for the benefit of low and moderate income housing project costs.

Capital Projects Funds

The Capital Projects Funds are used to account for the accumulation of resources for the payment of construction, general long-term debt, principal, interest and related Agency costs.

(c) Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences and arbitrage are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

(d) Budgets and Budgetary Accounting

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements.

(1) Formal budgetary integration is employed as a management control device during the year for all Governmental Fund types and Proprietary Fund types. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

(2) The Agency Board approves the line item budget appropriations and also approves all additions or transfers of budgeted amounts.

(3) Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.

(4) The budget amounts shown in the financial statements are the final authorized amounts revised during the year.

(e) Cash and Investments

Under the Agency's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (L.A.I.F.). Interest income on pooled investments is allocated on the end of month balance of each fund included in the pools. Information regarding the amount of dollars invested in derivatives, if any, with L.A.I.F. was not available.

(f) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary funds are pooled with the Agency's pooled cash and investments.

(g) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) Receivables and Payables

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "interfund advances receivable/payable" (i.e., the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are assessed collected and allocated by Fresno County throughout the fiscal year according to the following property tax calendar:

Lien Date	January 1st
Levy Date	July 1st to June 30th
Due Dates	November 1st, 1st installment, February 1st, 2nd installment
Delinquent Dates	December 10th, 1st installment, April 10th, 2nd installment

(i) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Machinery and Equipment	3 - 25 Years

(j) Fund Equity

(1) **Notes Receivable.** Long-term loans receivable are equally offset by a deferred revenue or by a fund balance reserve account. The latter indicates that they do not constitute "available spendable resources" since they are not a component of net current assets.

(2) **Advances From Other Agencies.** Noncurrent portions of long-term interfund loans receivable (reported in "Advance from" asset account) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets.

(3) **Low Moderate Income Housing.** State redevelopment law mandates that a portion of incremental property tax revenues be restricted for purposes of funding activities to promote low income housing. The reserve for housing represents the legally restricted amount of accumulated property tax revenues under this law.

2. Cash and Investments

Summary of Cash and Investments

Cash and investments at June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Governmental Activities:	
Cash and Cash Equivalents	$1,633,297

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

Deposits with Financial Institutions	$ 572,427
Deposits with LAIF	1,060,870
Total Cash and Investments	$1,633,297

Cash in Banks

Cash balances in banks ($572,427) as of June 30, 2009) are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institution is fully insured or collateralized.

Local Agency Investment Fund (LAIF)

The Agency participates in an external investment pool, as defined by GASB Statement No. 31, by way of its funds on deposit in the LAIF managed by the State of California. These funds are pooled with those of other agencies in the State and invested in accordance with state guidelines. Substantially all information required for the GASB Statement No. 31 disclosure was unavailable at the time these financial statements were prepared. The balance of $1,060,870 approximates the fair value. Investment gains and losses are shared proportionately by all members of LAIF and paid quarterly to each member. Investment in LAIF is not subject to risk categorization.

__Investment Accounting Policy__

The Agency is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Agency's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The Agency's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

__Investments Authorized by Debt Agreements__

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investments types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Security
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commercial Paper	270 days
Money Market Mutual Funds	N/A
Investment Contracts	30 years

__Disclosures Relating to Interest Rate Risk__

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of it fair value to changes in market interest rates.

__Disclosures Relating to Credit Risk__

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

__Concentration of Credit Risk__

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Agency has no investments.

__Custodial Credit Risk__

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

All of the District's deposits with financial institutions are covered by federal depository insurance limits or collateralized.

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

3. __Leases Receivable__

The Agency has entered into a lease agreement with the City. The lease receivable at June 30, 2009 is as follows:

Water Facilities Lease	$350,000

Future commitments to the Agency for lease payments are as follows:

Year Ending June 30	
2010	$ 43,563
2011	42,188
2012	40,813
2013	39,438
2014	38,063
2015 - 2019	169,690
2020 - 2024	113,750
	487,505
Interest	(137,505)
	$350,000

4. Interfund Transactions

(a) Long-Term Interfund Advances

At June 30, 2009, the funds below have made advances to other agencies that were not expected to be repaid in one year or less

	Advances To Other Agencies
Major Funds:	
LMIH Fund	$ 57,212
Capital Projects Fund	142,786
Total	$199,998

(b) Notes Receivable

Home Loan Rehabilitation Program loans to assist low income residents to afford safe and sanitary housing, including improvements to the housing; non-interest bearing to 10% interest; principal and interest generally due at maturity or change of home ownership; secured by deeds of trust; proceeds are paid directly to the builder and a receivable is recorded from the home purchaser.	$ 61,475

5. Capital Assets

In accordance with GASB Statement No. 34, the Agency has reported all capital assets including infrastructure additions as of the beginning of the fiscal year in the government-wide statement of net assets. The Agency elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on capital assets:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$665,703	$ -	$530,703	$135,000
Total capital assets not being depreciated	665,703	-	530,703	135,000
Capital assets being depreciated:				
Machinery and equipment	28,500	-	-	28,500
Less accumulated depreciation for Machinery and equipment	28,500	-	-	28,500
Governmental activities capital assets, net	$665,703	$ -	$530,703	$135,000

6. Long-Term Obligations

(a) Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2009, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Lease Payable	$ 380,000	$ -	$30,000	$350,000	$25,000
Loan Payable	645,200	-	20,000	625,200	22,000
	$1,025,200	$ -	$50,000	$975,200	$47,000

(b) Lease Payable

The outstanding lease payable of the Redevelopment Agency of the City of Fowler at June 30, 2009 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
1994	5.5	2023	$800,000	$380,000	$ -	$30,000	$350,000

The following is a schedule of future minimum lease payments as of June 30, 2009:

Year Ending June 30	Principal	Interest	Total
2010	$ 25,000	$ 18,563	$ 43,563
2011	25,000	17,188	42,188
2012	25,000	15,813	40,813
2013	25,000	14,438	39,438
2014	25,000	13,063	38,063
2015 - 2019	125,000	44,690	169,690
2020 - 2024	100,000	13,750	113,750
Totals	$350,000	$137,505	$487,505

(c) Loan Payable

The Agency obtained a loan from the Fowler Public Financing Authority. The outstanding loan payable at June 30, 2009 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2000	10.0	2023	$799,200	$645,200	$ -	$20,000	$625,200

The annual requirements to amortize loan payable outstanding as of June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 22,000	$ 70,300	$ 92,300
2011	25,000	67,950	92,950
2012	27,000	65,350	92,350
2013	30,000	62,500	92,500
2014	33,000	59,350	92,350
2015 - 2019	221,000	237,450	458,450
2020 - 2023	267,200	95,800	363,000
Totals	$625,200	$658,700	$1,283,900

The combined amount payable is $975,200, which is comprised of a current portion of $47,000 and a long-term portion of $928,200.

8. Excess Expenditures Over Appropriations

The following fund types had excess expenditures over appropriations for the year ended June 30, 2008:

Expenditure	Variance	Reason for Variance
Special Revenue Fund:		
LMIH Fund	$65,737	Unexpected expenditures occurred

9. Contingent Liabilities

The Agency participates in various federal and state financial assistance programs. These programs are subject to program compliance audits by the grantors, which may be covered by the *Single Audit Act Amendments of 1997* and *OMB Circular A-133*. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

10. Related Party Transactions

The directors of the Agency are comprised solely of individuals who serve on the Fowler City Council and the administration staff from the City of Fowler. The City of Fowler has guaranteed the Loan Payable (Note 6) of the Agency.

The Agency currently leases water facilities to the City of Fowler. The original lease agreement was modified with the issuance of the 2000 Revenue Bonds. The term of the lease runs through September 15, 2023 with payments due every March 15 and September 15. The lease payments received are used to pay the principal and interest on the bond lease payable.

The Agency has advanced the City of Fowler $199,998 through June 30, 2009.

Required Supplementary Information

REDEVELOPMENT AGENCY OF THE CITY OF FOWLER
LMIHFUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

	Budget Amount			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Property taxes	$ 265,000	$ 265,000	$ 298,337	$33,337
EXPENDITURES:				
Current services:				
Community development	250,000	250,000	305,737	(55,737)
Net Change in Fund Balances	15,000	15,000	(7,400)	22,400
Fund Balance, Beginning	1,030,045	1,030,045	1,030,045	-
Fund Balance, Ending	$1,045,045	$1,045,045	$1,022,645	$22,400

Additional Auditors' Reports

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Honorable Members of the
Redevelopment Agency of the City of Fowler
Fowler, California

We have audited the general purpose financial statements of Redevelopment Agency of the City of Fowler, component unit of City of Fowler, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Redevelopment Agency of the City of Fowler's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Redevelopment Agency of the City of Fowler's financial statements that is more than inconsequential will not be prevented by the Redevelopment Agency of the City of Fowler's internal control.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the organization, Agency Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Borchardt, Corona & Faith

Fresno, California
December 28, 2009

Independent Auditors' Report on Compliance with California Health and Safety Code

To the Honorable Members of the
Redevelopment Agency of the City of Fowler
Fowler, California

We have audited the financial statements of the Redevelopment Agency of the City of Fowler, component unit of City of Fowler, California, as of and for the year ended June 30, 2009, and have issued our opinion thereon dated December 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Redevelopment Agency of the City of Fowler is the responsibility of the Redevelopment Agency of the City of Fowler's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Redevelopment Agency of the City of Fowler's compliance with provisions of laws and regulations contained in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller's Office, Division of Local Government Fiscal Affairs.

The results of the tests indicated that, with respect to the items tested, the Redevelopment Agency of the City of Fowler complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Redevelopment Agency of the City of Fowler had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of management, others within the organization, Agency Board, and State Controller's Office and is not intended to be and should not be used by anyone other than those specified parties.

Borchardt, Corona & Faith

Fresno, California
December 28, 2009