McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

Independent Auditor's Report

To The Honorable Members of the City Council
City of Glendale, CA

We have audited the accompanying statements of net assets of the Electric Enterprise Fund of the City of Glendale, California (the City), as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Electric Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2010 and 2009, the changes in its financial position and, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Enterprise Fund of the City as of June 30, 2010 and 2009, and the changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is 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 audits were conducted for the prupose of forming opinions on the financial statements that collectively comprise the Electric Enterprise Fund's financial statements. The introductory section and operating statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Pasadena, CA
November 29, 2010

MANAGEMENT DISCUSSION AND ANALYSIS – ELECTRIC UTILITY

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Electric Enterprise Fund (Electric Utility) financial statements a narrative overview and analysis of the financial activities of the Electric Enterprise for the fiscal years ended June 30, 2010 and June 30, 2009. We encourage our readers to consider the information presented here in conjunction with the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

During fiscal year 2010, the Electric Utility's retail operating revenues decreased by $22,133 or 12% from prior year level. The decrease in retail revenues was attributable to an 8% reduction in the average rates charged to customers and a 4% decrease in retail sales volume. Operating revenues decreased while increases in the transmission and distribution expense were offset by decreases in production expense, which resulted in net retail operating revenues of $15,335 on revenues of $173,403 less $158,068 in expenses. The wholesale sector experienced lower net revenues of $651 on revenues of $3,500 less $2,849 in expenses. The total net assets increased by $3,401 after adding net non-operating revenues of $6,522 and subtracting $19,107 in the Transfers to the City.

During fiscal year 2009, the Electric Utility's retail operating revenues increased by $10,383 or 6% from prior year level. The increase in retail revenues was directly attributable to the increase in the rates charged to customers. The increase in operating revenues offset increases in customer service and depreciation expenses which resulted in net retail operating revenues of $19,680 on revenues of $196,289 less $176,609 in expenses. The wholesale sector experienced lower net revenues of $1,882 on revenues of $10,888 less $9,006 in expenses. The total net assets increased by $6,822 after adding net non-operating revenues of $4,367 and subtracting $19,107 in the Transfers to the City.

The assets of the Electric Utility exceeded its liabilities at the close of fiscal years 2010 and 2009 by $353,336 and $349,935 respectively. Of these amounts, $155,672 and $164,325 respectively was unrestricted and may be used to meet the Fund's ongoing obligations to creditors and customers. These unrestricted net assets represented 97% and 89% of annual operating expenses for fiscal years 2010 and 2009 respectively.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Glendale Electric Utility financial statements. The Electric Utility is a business-type activity of the City, and its activities are recorded in a separate enterprise fund. These financial statements include only the activities for the City of Glendale Electric Utility and provide comparative information for the last two fiscal years. Information on citywide financial results is available in the City of Glendale's Comprehensive Annual Financial Report.

The City of Glendale Electric Utility's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains other supplementary information to provide our readers additional information about the Electric Utility including sales statistics and other relevant data. Included as part of the financial statements are three separate statements which collectively provide an indication of the Electric Utility's financial health.

The ***Statement of Net Assets*** presents information on assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The ***Statement of Revenues, Expenses and Changes in Net Assets*** presents information showing how the Electric Utility's net assets changed during the most recent two fiscal years. Results of operations are recorded under the accrual basis of accounting whereby transactions are reported as underlying events occur regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. The accrual basis of accounting is more fully described in the accompanying Notes to the Financial Statements.

The ***Statement of Cash Flows*** presents the flows of cash and cash equivalents during the last two fiscal years including certain restricted amounts.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 26 to 50 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Electric Utility's financial position. In the case of the Electric Utility, assets exceeded liabilities by $353,336 and $349,935 as of June 30, 2010 and 2009 respectively. A portion of the Utility's net assets (53% and 50% as of June 30, 2010 and 2009 respectively) reflects its investment in capital assets such as production, transmission, and distribution facilities, less any related outstanding debt used to acquire those assets. The Electric Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations since the capital assets themselves cannot be used to liquidate these long-term liabilities.

An additional portion of the Electric Utility's net assets (3% and 3% as of June 30, 2010 and 2009 respectively) represents resources that are subject to external restrictions on how they may be used. These restrictions are for items such as debt repayment and other legally restricted purposes.

The unrestricted portion of the Utility's net assets (44% and 47% as of June 30, 2010 and 2009 respectively) may be used to meet the Electric Utility's ongoing obligations to creditors and customers.

Net Assets – Electric Utility
The Electric Utility's net assets as of June 30, 2010, 2009, 2008 are as follows:

	2010	2009	2008
Current and noncurrent assets	$ 179,901	$ 196,263	$ 208,376
Capital assets	308,926	289,718	277,542
Total assets	488,827	485,981	485,918
Current liabilities	16,296	14,405	19,343
Long-term debt	119,195	121,641	123,462
Other noncurrent liabilities	-	-	-
Total liabilities	135,491	136,046	142,805
Net assets:			
Invested in capital assets, net of related debt	187,285	175,047	152,308
Restricted	10,379	10,563	10,574
Unrestricted	155,672	164,325	180,231
Total net assets	$ 353,336	$ 349,935	$ 343,113

Net assets increased by $3,401 (or 1%) and $6,822 (or 2%) during fiscal years 2010 and 2009 respectively. The increase in net assets was primarily the result of a federal Smart Grid Investment Grant from the U.S. Department of Energy under the American Recovery and Reinvestment Act in fiscal year 2010 as well as a reduction in the cost of natural and landfill gas.

The increase in net assets was primarily the result of the increase in the rates charged to our customers in fiscal years 2009.

Changes Net Assets – Electric Utility

The Electric Utility's changes in net assets for the year ended June 30, 2010, 2009, 2008 are as follows:

	2010	2009	2008
Revenues:			
Retail sales, net	$ 166,461	$ 188,594	$ 178,211
Wholesale sales	3,500	10,888	18,825
Sale to other utilities	6,942	7,695	7,461
Interest income	2,793	4,916	6,325
Other revenues and grants	7,349	1,981	6,541
Capital contributions	1,351	2,285	3,275
Total revenues	188,396	216,359	220,638
Expenses:			
Production	113,560	142,341	141,765
Transmission and distribution	21,783	18,461	19,336
Customer accounting and sales	7,159	7,346	6,452
Depreciation	18,130	17,137	16,431
Gas depletion	285	330	394
Interest on Bonds	4,971	4,815	3,127
Total expenses	165,888	190,430	187,505
Transfers to the City's General Fund	19,107	19,107	18,375
Total expenses and transfers	184,995	209,537	205,880
Changes in net assets	3,401	6,822	14,758
Total net assets, beginning of year	349,935	343,113	328,355
Total net assets, end of year	$ 353,336	$ 349,935	$ 343,113

Revenue by Source – Electric Utility

Year ended June 30, 2010

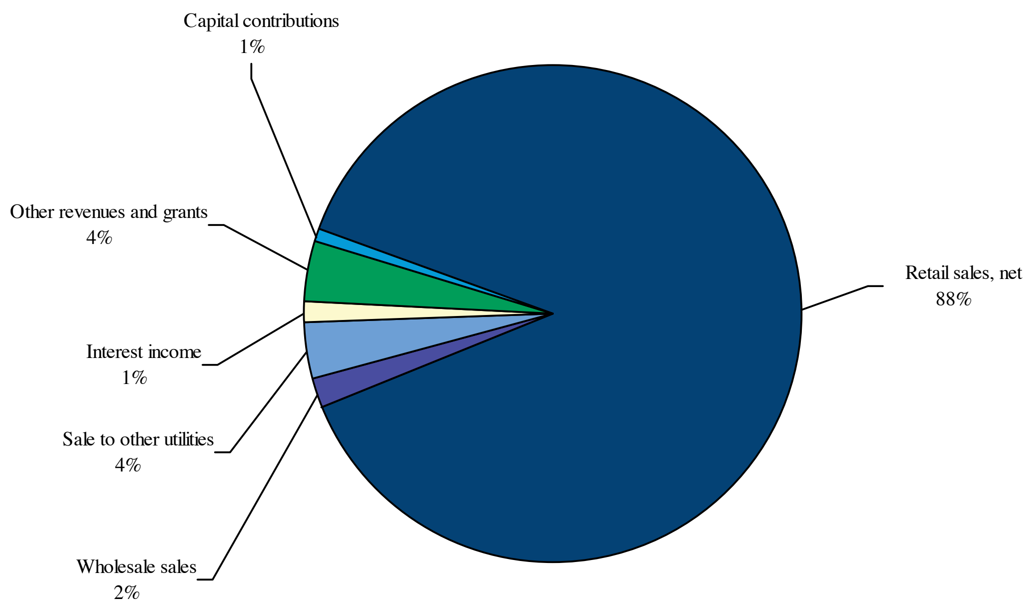
Retail sales (residential, commercial, industrial and other sales) continued to be the primary revenue source for the Electric Utility, making up 88% of total revenue. Retail sales showed a decrease of 12% from the prior year reflecting an average 8% rate decrease from the prior year and a 4% decrease in retail sales volume. Sales to other utilities accounts for the receipts from disposing of excess retail energy supply. This account was established to differentiate such sales from the wholesale operation. Sales to other utilities decreased 10% largely due to a decrease in receipts from the disposal of excess energy. The Gas Depletion account was established to record the usage of natural gas associated with the Electric Utility's share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Wholesale sales decreased 68% from the prior year. The decrease was primarily the result of the Electric Utility's decreased participation in wholesale transactions due to a lack of favorable market conditions that meet the City's risk criteria.

Interest income decreased 43% from the prior year. The decrease was attributed to a lower yield for the Electric Utility's investment portfolio.

Capital contributions decreased 41% from the prior year. The decrease reflects a decreased level of construction projects funded by others, primarily retail customers.

2010 Revenues



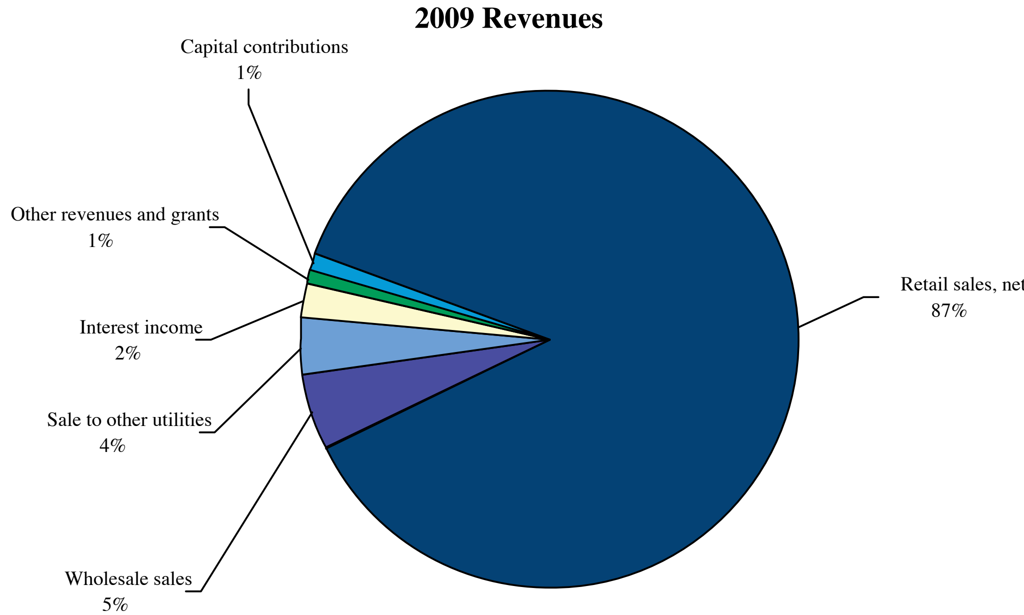
Year ended June 30, 2009

Retail sales (residential, commercial, industrial and other sales) continued to be the primary revenue source for the Electric Utility, making up 87% of total revenue. Retail sales showed an increase of 6% from the prior year reflecting an average 7% rate increase from the prior year and a 1% decrease in retail sales volume. Sales to other utilities accounts for the receipts from disposing of excess retail energy supply. This account was established to differentiate such sales from the wholesale operation. Sales to other utilities increased 3% largely due to an increase in receipts from the disposal of excess energy. The Gas Depletion account was established to record the usage of natural gas associated with the Electric Utility's share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Wholesale sales decreased 42% from the prior year. The decrease was primarily the result of the Electric Utility's decreased participation in wholesale transactions due to a lack of favorable market conditions that meet the City's risk criteria.

Interest income decreased 22% from the prior year. The decrease was attributed to a lower yield for the Electric Utility's investment portfolio.

Capital contributions decreased 30% from the prior year. The decrease reflects a decreased level of construction projects funded by others, primarily retail customers.



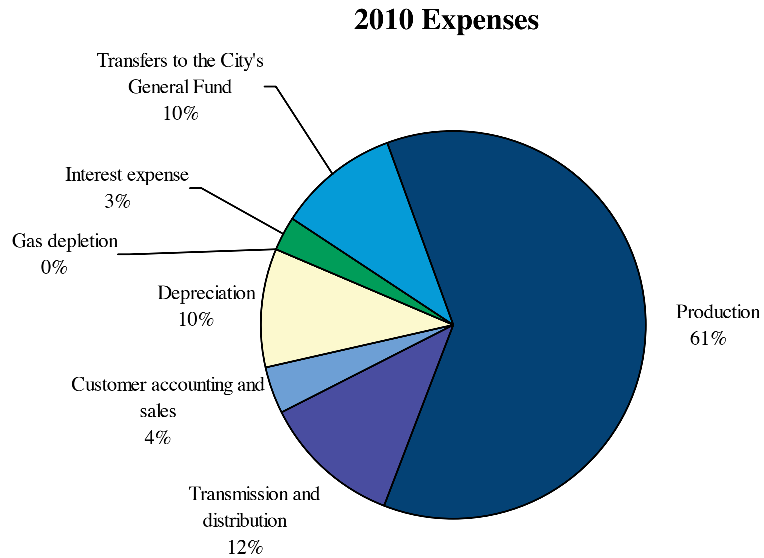
Expenses by Source – Electric Utility

Year ended June 30, 2010

Total expenses for the Electric Utility decreased $24,542 (or 13%) from the prior year level. Production expenses decreased 20% from prior year levels as a result of decreases in the cost of natural & landfill gas coupled with a reduction in wholesale activity. Transmission and distribution expenses increased 18% from the prior year level reflecting an intensified effort to improve system reliability. Customer accounting and sales expenses were on par with the prior year level. Depreciation expenses increased 6% primarily from increased investment in capital assets.

Interest on bonds increased 3% from the prior year level due to additional interest expense associated with the Electric Revenue Bonds, Series 2008.

Transfers to the City's General Fund are based on a fixed amount that is unchanged from the prior year level.

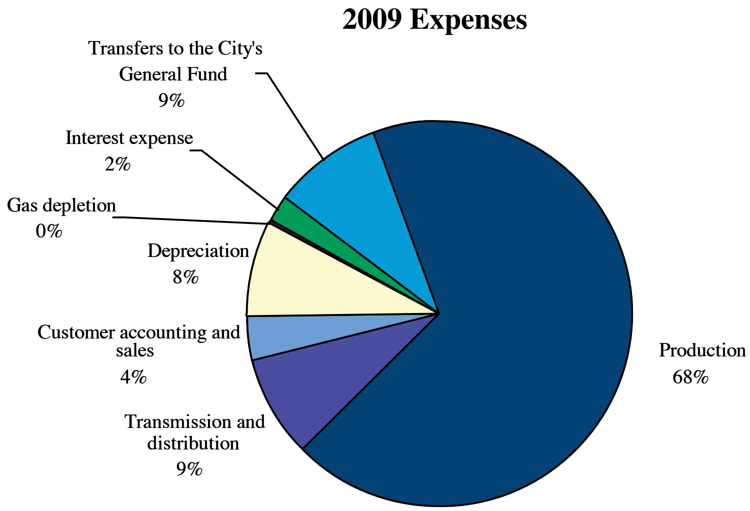


Year ended June 30, 2009

Total expenses for the Electric Utility increased $2,925 (or 2%) above the prior year level. Production expenses remained on par with prior year levels as a result of increases in the cost of natural gas being offset by reductions in wholesale activity. Transmission and distribution expenses decreased 5% from the prior year level reflecting an increased focus of labor resources to electric distribution capital improvements in place of routine electric distribution maintenance. Customer accounting and sales expenses increased 14% from the prior year level due to an increase in bad debt expenses from utility retail customers, merchant fees, and staffing of approved positions. Depreciation expenses increased 4% primarily from increased investment in capital assets.

Interest on bonds increased 54% from the prior year level due to additional interest expense associated with the Electric Revenue Bonds, Series 2008.

Transfers to the City's General Fund are based on a fixed amount that increased $732 (or 4%) from the prior year.



Capital Assets and Debt Administration

Capital Assets

The Electric Utility's investment in capital assets as of June 30, 2010 and 2009 was $308,926 and $289,718 respectively (net of accumulated depreciation). This included investments in production, transmission, and distribution related facilities, as well as in general items such as office equipment, furniture, etc. Capital assets showed a 7% and 4% increase as of June 30, 2010 and 2009, respectively, over the prior years. In both years, the department completed and capitalized the construction of certain major generation, transmission and distribution projects that had previously been accounted for as construction in progress.

The Electric Utility's capital assets as of June 30, 2010, 2009, 2008 are as follows:

	2010	2009	2008
Production	$ 112,016	$ 113,068	$ 111,474
Transmission and distribution	373,921	346,704	325,188
Natural Gas Reserve	15,633	14,876	14,769
General	57,595	54,354	52,513
Less: accumulated depreciation	(250,239)	(239,284)	(226,402)
Total	$ 308,926	$ 289,718	$ 277,542

Long-Term Debt
As of June 30, 2010 and 2009, the Electric Utility had outstanding long-term debt of $119,195 and $121,641 respectively.

The Electric Utility's outstanding debt as of June 30, 2010, 2009, 2008 is as follows:

	2010	2009	2008
Electric Revenue Bonds	$ 121,150	$ 123,005	$ 124,810
Less: current portion	(2,345)	(1,840)	(1,773)
Unamortized bond premium	2,082	2,209	2,327
Unamortized accrued interest	-	111	116
Deferred amount on refunding	(1,712)	(1,863)	(2,018)
Abitrage rebate	20	19	-
Total long-term debt	$ 119,195	$ 121,641	$ 123,462

During fiscal year 2010, the Electric Utility maintained an "A+" credit rating from Standard & Poor's and Fitch, Inc. for its revenue bonds and an Aa3 by Moody's Investors Service. Additional information on the Electric Utility's long-term debt can be found in Note 4 on pages 37 to 39 of this report.

Economic Factors and Rates

In 2010, the City continued its effort to minimize exposure to market spikes in power and natural gas by consulting with The Energy Authority (TEA) for advisory services related to risk management of the utility's exposure to natural gas prices and energy portfolio management. As a result, the Electric Utility has continued to define and expand its comprehensive energy risk management program in an effort to stabilize rates amid significant market volatility.

Furthermore, in January 2010, the City of Glendale purchased the contract to operate the Scholl Canyon landfill gas facility. This contributed to the reduction of the Fuel Adjustment Charge on Glendale *Water & Power* customers which was reflected in the electric rates decreasing an average of 8% from fiscal year 2009.

The Electric Utility advanced its commitment to environmental improvement by procuring long-term, short-term, and local renewable energy resources.

- In August 2009, the City Council approved a 20 year purchase power agreement with SCPPA for the purchase of 7.63% (approximately 20 MW) of renewable energy from the Windy Point/Windy Flats project. The facility is a 262.2 MW capacity wind farm located in Klickitat County in the state of Washington.

- In October 2009, the City Council approved an asset purchase agreement with SCPPA for the purchase of 50% (approximately 6.8 MW) of a small hydroelectric resource near the town of Tieton in Yakima County, Washington. The Tieton Hydropower Project (THP) has a maximum capacity of approximately 20 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with

PacificCorp's Tieton Substation. Delivery of renewable energy from the project to the City started in May 2009 under a previous agreement. The City's debt service obligation and all associated costs will begin in fiscal year 2011.

- In fiscal year 2010, the City of Glendale entered an asset purchase agreement with SCPPA for the purchase of the Linden Wind Energy Project located in Klickitat County in the state of Washington. The facility is a 50 MW capacity wind farm. Los Angeles Water and Power will own 90% of the facility and Glendale will own 10% (approximately 5 MW)

- In March 2010, GWP received authorization from City Council to enter into a 20 year purchased power agreement with SCPPA for the Milford II wind project in Utah. The facility occupies approximately eight square miles and will have a capacity of 102 MW. The Project is designed to use 68 wind turbine generators provided by General Electric. Glendale has contracted for 5 MW of capacity from the project.

Acquiring this renewable energy is an important step in meeting GWP's Renewables Portfolio Standard which was approved by City Council on December 16, 2003. This calls for the addition of cost-effective renewable resources to meet 20% of GWP's retail electric energy needs by 2017.

Requests for Information

This financial report is designed to provide a general overview of the Electric Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of Glendale Water & Power – 141 North Glendale Avenue, Level 4, Glendale, California 91206.

CITY OF GLENDALE
ELECTRIC FUND
Statements of Net Assets
June 30, 2010 and 2009 (in thousands)

	2010	2009
Assets		
Current assets:		
Pooled Cash and invested cash	$ 68,807	$ 80,880
Imprest cash	3	3
Cash with fiscal agent	4,704	4,704
Interest receivable	563	795
Restricted Investment	2,408	1,675
Accounts receivable, net	12,259	9,791
Unbilled Services	13,733	17,118
Due from other agencies	2,390	3
Due from other funds of the City	1,331	1,331
Deposits	10	10
Inventories	6,238	7,106
Prepaid items	21,525	904
Total current assets	133,971	124,320
Noncurrent assets:		
Designated & invested cash	43,181	69,083
Deferred charges	2,749	2,860
Total noncurrent assets	45,930	71,943
Capital assets:		
Land	6,141	6,084
Natural Gas Reserve	15,633	14,876
Buildings and improvements	58,875	56,810
Machinery and equipment	428,420	390,451
Building & improvements accumulated depreciation	(248,102)	(237,432)
Gas depletion	(2,137)	(1,852)
Construction in progress	50,096	60,781
Total capital assets	308,926	289,718
Total assets	488,827	485,981

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Net Assets (Continued)
June 30, 2010 and 2009 (in thousands)

	2010	2009
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	8,117	7,348
Contracts-retained amount due	846	599
Interest payable	2,425	1,886
Bonds payable, due in one year	2,345	1,840
Deposits	2,563	2,732
Total current liabilities	16,296	14,405
Noncurrent liabilities:		
Long term debt	119,195	121,641
Total noncurrent liabilities	119,195	121,641
Total liabilities	135,491	136,046
Net assets:		
Investment in capital assets, net of related debt	187,285	175,047
Restricted		
Debt service	4,638	4,639
SCAQMD emission controls	5,741	5,924
Unrestricted	155,672	164,325
Total net assets	$ 353,336	$ 349,935

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Operating revenues:		
Electric domestic sales	$ 59,917	$ 66,900
Electric commercial sale	106,540	121,692
Electric street light sales	4	2
Wholesale sales	3,500	10,888
Sale to other utilities	6,942	7,695
Miscellaneous revenues	1,901	1,704
Total operating revenues	178,804	208,881
Operating expenses:		
Production	113,560	142,341
Transmission	21,783	18,461
Customer accounting and sales	7,159	7,346
Depreciation	18,130	17,137
Gas depletion	285	330
Total operating expenses	160,917	185,615
Operating income	17,887	23,266
Non operating revenues (expenses):		
Interest revenue	2,793	4,916
Grant revenue	5,448	277
Interest on Bonds	(4,971)	(4,815)
Total non operating revenues, net	3,270	378
Income before transfers	21,157	23,644
Contribution in aid	1,351	2,285
Transfer out:		
Transfer-General Fund	(19,107)	(19,107)
Change in net assets	3,401	6,822
Total net assets, July 1	349,935	343,113
Total net assets, June 30	$ 353,336	$ 349,935

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

CITY OF GLENDALE
ELECTRIC FUND
Statements of Cash Flows
Years ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Cash flows from operating activities:		
Cash from customers	$ 177,333	$ 211,830
Cash paid to employees	(40,716)	(40,547)
Cash paid to suppliers	(120,581)	(133,189)
Net cash provided by operating activities	16,036	38,094
Cash flows from noncapital financing activities:		
Operating transfers out	(19,107)	(19,107)
Operating grant received	5,448	277
Net cash used in noncapital financing activities	(13,659)	(18,830)
Cash flows from capital and related financing activities:		
Interest on long term debt	(4,534)	(4,800)
Bond principal and capital lease payments	(1,840)	(1,698)
Contribution in aid	1,351	2,285
Acquisition of property, plant, and equipment	(37,623)	(29,641)
Investment - gas/electric commodity	(733)	3,074
Net cash used in capital and related financing activities	(43,379)	(30,780)
Cash provided by investing activities - interest received	3,027	5,496
Net (decrease) in cash and cash equivalents	(37,975)	(6,020)
Cash and cash equivalents at beginning of year	154,670	160,690
Cash and cash equivalents at end of year	116,695	154,670
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	17,887	23,266
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,130	17,137
Gas depletion	285	330
(Increase)Decrease Accounts receivable net	(2,468)	3,293
(Increase)Decrease Unbilled Services	3,385	(358)
(Increase)Decrease Due from other agencies	(2,388)	14
Decrease Inventories	868	199
(Increase) prepaid expenses	(20,621)	(580)
(Increase)Decrease Deferred charges	111	(131)
Increase(Decrease) Accounts payable	769	(5,227)
Increase(Decrease) Contracts - retention	247	(40)
Increase(Decrease) Deposits	(169)	191
Total adjustments	(1,851)	14,828
Net cash provided by operating activities	$ 16,036	$ 38,094
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	611	425

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the City of Glendale (the City) as they pertain to the Electric Enterprise Fund. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Funds

The basic accounting and reporting entity of the City is a "fund." A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other resources together with all related liabilities, obligations and equities that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Presentation

The City's Electric Enterprise Fund (the Fund) is used to account for the construction, operation and maintenance of the City-owned electric utility. The Fund is considered to be an enterprise fund, proprietary fund type, as defined under accounting principles generally accepted in the United States of America. The measurement focus is upon financial position, changes in financial position and cash flows. Accordingly, the accrual basis of accounting is followed by the Fund. In accordance with Government Accounting Standards Board (GASB) statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the Fund has elected to apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. The Fund is included in the City's Comprehensive Annual Financial Report (CAFR), and therefore, these financial statements do not purport to represent the financial position and changes in financial position of the City.

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

Cash and Investments

The Fund pools its cash with the City. The City values its cash and investments in accordance with the provisions of Government Accounting Standard Board (GASB) Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investments Pools* (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted by the City Council and that follow the guidelines of the State of California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs. Funds must request large outlays in advance in order that the City Treasurer will have the funding available.

Interest income from the investment of pooled cash is allocated to all funds, except Capital Improvement Funds on a monthly basis based upon the prior month end cash balance of the fund as a percent of the month end total pooled cash balance. The City normally holds the investment to term; therefore no realized gain/loss is recorded.

All cash and investments are held in the City's cash management pool. Therefore, for purposes of the combined statement of cash flows for the Proprietary Funds, the City considers all cash, investments, imprest cash and cash with fiscal agents to be cash and cash equivalents.

Capital Assets

The Fund's capital assets include land, building, improvements and equipments that are reported in the Fund's financial statements. The Fund follows the City's asset capitalization policy. Capital assets are defined by the City as assets with an initial, individual cost of $5 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets representing utility service assets, which are donated to the City by independent contractors, are recorded at estimated fair market value at the date of donation. Depreciation for both purchased and contributed assets are computed using a straight-line method, based upon average estimated useful life of an asset. Interest incurred during the construction phase of the capital assets is included as part of the capitalized value of the assets constructed.

A summary of the useful lives of the capital assets of the Fund is as follows:

Assets	Years
Building and improvements	10 to 75
Machinery and equipment	4 to 10

Inventories

Inventories, consisting primarily of construction and maintenance materials and tools for the production and distribution system of the Electric utility are stated at cost, using the weighted average cost method or disposal value.

Compensated Absences

The Fund records and funds a liability for its employees' earned but unused accumulated vacation and overtime that has matured and is expected to be paid with currently available resources. The unused accumulated vacation and overtime are expensed in an Internal Service Fund, which incurs the liability. The amount that has not matured is recorded as a long-term liability in the Internal Service Fund-Employee Benefits Fund of the City.

The Fund also provides sick leave conversion benefits through the Retiree Health Saving Plan (RHSP). Unused sick leave is converted to a dollar amount and deposited in the employee's RHSP account at retirement. The account is used to pay healthcare premiums for the retiree and beneficiaries. After the account is exhausted, the retirees can terminate coverage or elect to continue paying the healthcare premiums from personal funds.

For additional details on the Compensated Absences, please refer to the City of Glendale Comprehensive Annual Report.

Post-Employment Benefit

All City Employees, including employees of the Fund, who retired prior to July 2001, and have accumulated unused sick leave upon their retirement may convert the accumulated unused sick leave to the number of months that the City will contribute all or partial of these retirees' monthly medical insurance premiums. The conversion calculations are based on the respective bargaining units' MOU or Benefit Ordinance.

The City also has a Retiree Healthcare Plan which is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established by and may be amended by the City. The City does not have a separate audited GAAP-basis postemployment benefit plan report for this defined benefit plan.

For additional details on the Post-Employment Benefit, please refer to the City of Glendale Comprehensive Annual Report.

Unbilled Services

The Fund records utility services delivered to customers but not billed. As of June 30, 2010 and 2009, the Electric Fund's unbilled services were $13,733 and $17,118, respectively.

Deposits

The Fund requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Fund to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Fund.

Contracts - Retained Amount Due

The Fund withholds 10% of each progress payment on construction contracts. These retained amounts are not released until final inspection is completed and sufficient time has elapsed for sub-contractors to file claims against the contractor.

Transfers to the City

The City's charter provides for certain percentages of operating revenues in the Electric Fund to be transferred to the City's General Fund and have been reflected in the financial statements as transfers out.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fund first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Revenue Recognition

The Electric Utility uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Electric Utility customers are billed either monthly or bi-monthly. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

An allowance for doubtful account is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year-end to approximate the amount anticipated to be uncollectible.

Budgets and Budgetary Accounting

The Electric Utility presents and the City Council adopts an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Electric Utility's budget in June each year via a resolution.

Pronouncements Issued but Not yet Adopted

GASB issued pronouncements prior to June 30, 2010 that have an effective date that may impact future financial presentation. Management has not currently determined any impact on the implementation of the following statements may have on the financial statements of the Fund:

Governmental Accounting Standards Board Statement No. 57 - *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

Governmental Accounting Standards Board Statement No. 59 – *Financial Instruments Omnibus*

2. Cash and Investments

Cash resources of the Fund are combined with other City funds to form a pool of cash and investments, which is managed by the City Treasurer under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council. Therefore, individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Fund on a monthly basis, based upon the month-end cash balance of the fund as a percent of the month-end total pooled cash balance. Of this total, $111,991 and $149,966 pertains to the Electric Fund for fiscal year 2010 and 2009, respectively. Invested cash is stated at the fair value. An increase (decrease) in the fair value of investments is recognized as an increase (decrease) to Interest Income Revenue. The City normally holds its investments to term; therefore, no realized gain/loss is recorded. All cash and investments are held in the City's cash management pool. Therefore, for purposes of the combined statement of cash flows for the Proprietary Funds, the City considers all cash, investments, imprest cash and cash with fiscal agents to be cash and cash equivalents.

City of Glendale Cash and investments pool at fiscal year end consist of the following:

	2010		2009	
Investments	$	460,332	$	519,116
Cash with fiscal agents		25,511		23,873
		485,843		542,989
Cash held in financial institutions & imprest cash		27,582		16,235
Total	$	513,425	$	559,224

The following amounts are reflected in the City of Glendale's government-wide statement of net assets:

	2010		2009	
Cash and invested cash	$	417,404	$	429,735
Cash with fiscal agents		25,511		23,873
Restricted investment		2,408		1,675
Designated cash and investments		68,102		103,941
Total	$	513,425	$	559,224

Information Relating to the City of Glendale Investment Pool:

Authorized Investments

Under provisions of the City's investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	Maximum Maturity	Maximum % of Portfolio
U.S. Treasuries	5 years	100%
Federal Agencies	5 years	100%
Medium Term Corporate Notes	5 years	15%
Commercial Paper (A1,P1 minimum rating)	180 days	15%
Bankers Acceptance	180 Days	30%
Negotiable Certificates of Deposit	1 year	30%
Local Agency Investment Fund (State Pool)	N/A	LAIF maximum
Money Market Mutual Funds	90 days	20%
Time Deposits	1 year	10%

Investments in Medium Term Corporate Notes may be invested in Securities rated AA or better by Moody's or Standard and Poor's rating services and no more than 5% of the market value of the portfolio may be invested in one corporation. Maximum participation in Bankers Acceptance is limited to 10% per bank.

Investments Authorized by Debt Agreements

The Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, governs investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements. No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that fluctuations in market rates may 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 the changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

			Remaining Maturity (in Months)			
			12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Commercial Paper	$	19,498	19,498	-	-	-
U.S. Government Agency Callable Bonds		226,296	8113	15,498	202,685	-
Corporate Notes		26,373	9,127	2,644	14,602	-
Negotiable Certificates of Deposit		4,997	4,997	-	-	-
Banker's Acceptances		13,307	13,307	-	-	-
State Investment Pool		150,247	150,247	-	-	-
Money Market Fund		19,614	19,614	-	-	-
Held by Fiscal Agents						
Federal Agency Term Notes		9,853	9,853	-	-	-
Guaranteed Investment Contracts		6,313	-	-	-	6,313
Money Market		9,344	9,344	-	-	-
	$	485,842	244,100	18,142	217,287	6,313

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City invests only in the most risk-adverse instruments, such as AAA rated government securities, AAA or AA rated corporate securities, and A1,P1 rated commercial paper, negotiable certificates of deposits and banker's acceptance securities. The City's Investment Policy requires the City to sell any security with a credit rating below A.

			Rating as of Year End				
			AAA	AA	Aa2	A1,P1	Unrated
Commercial Paper	$	19,498	-	-	-	19,498	-
U.S. Government Agency Callable Bonds		226,296	226,296	-	-	-	-
Corporate Notes		26,373	-	18,014	-	8,359	-
Negotiable Certificates of Dep		4,997	-	-	-	4,997	-
Banker's Acceptances		13,307	-	-	-	13,307	-
State Investment Pool		150,247	-	-	-	-	150,247
Money Market Fund		19,614	19,614	-	-	-	-
Held by Fiscal Agents							
Federal Agency Term Notes		9,853	9,853	-	-	-	-
Guaranteed Investment Contracts		6,313	-	-	6,313	-	-
Money Market		9,344	9,344	-	-	-	-
	$	485,842	265,107	18,014	6,313	46,161	150,247

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal Agency Callable Bonds	$ 74,668
FHLMC	Federal Agency Callable Bonds	65,859
FNMA	Federal Agency Callable Bonds	84,443

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 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 deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (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. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2010, in accordance with the City's investment policy, none of the City's investments were held with counter-party. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of America as a third party custody and safekeeping service for its investment securities. All City investments held in custody and safe-keeping by Bank of America are held in the name of the City and segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

At June 30, 2010, the carrying amount of the City's deposits was $27,582 and the corresponding bank balance was $4,984. The difference of $22,598 was principally due to outstanding warrants, wires, deposits in transit and some pending miscellaneous adjustments. Of the Bank balance, $250 was insured by the FDIC depository insurance and $4,734 was uncollateralized and not insured by FDIC depository insurance.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investment in this pool is reported in the accompanying financial statements at fair value based upon the City's pro-rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Cash with Fiscal Agent

The Fund has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances are generally more restrictive than the City's general investment policy.

3. Capital Assets

Natural Gas Project

In June 2005, the City elected to participate in the Natural Gas Reserve Project through SCPPA and entered into a 25 year Gas Sales Agreement with SCPPA for up to 2,000 MMBtu per day. The project calls for the acquisition and development of gas resources, reserves, fields, wells, and related facilities to provide a long-term supply of natural gas for its participants. The first acquisition was completed on July 1, 2005 with the total cost to the participants at $306.1 million. The City's share in the project is $13.1 million or 4.2553%, with estimated peak daily volume between 1,600 to 1,800 MMBtu. As of June 30, 2010, the net balance for Natural Gas Reserve Project, including drilling program capitalization was $13,496.

A summary of the changes in Electric Fund 2009 - 2010 Capital Assets is as follows:

	Balance at July 1, 2009	Increases	Decreases (Reclass & Retirements)	Balance at June 30, 2010
Capital assets not being depreciated/depleted:				
Land	$ 6,084	57	-	6,141
Construction in progress	60,781	(10,685)		50,096
Total assets not being depreciated/depleted	66,865	(10,628)	-	56,237
Depreciable capital assets:				
Building and improvements	56,810	2,065	-	58,875
Machinery and equipment	390,451	45,428	7,459	428,420
Total other capital assets at cost	447,261	47,493	7,459	487,295
Depletable capital assets:				
Natural Gas Reserve	14,876	757	-	15,633
Less accumulated depreciation:				
Building and improvements	28,630	17,426	-	46,056
Machinery and equipment	208,802	703	7,459	202,046
Total accumulated depreciation	237,432	18,129	7,459	248,102
Less allowance for gas depletion				
Natural Gas Reserve	1,852	285	-	2,137
Total assets being depreciated	222,853	29,836	-	252,689
Electric Fund capital assets, net	$ 289,718	19,208	-	308,926

A summary of the changes in Electric Fund 2008 - 2009 Capital Assets is as follows:

	Balance at July 1, 2008	Increases	Decreases (Reclass & Retirements)	Balance at June 30, 2009
Capital assets not being depreciated/depleted:				
Land	$ 6,084	-	-	6,084
Construction in progress	47,423	13,358		60,781
Drilling in progress	-			-
Total assets not being depreciated/depleted	53,507	13,358	-	66,865
Depreciable capital assets:				
Building and improvements	56,523	278	(9)	56,810
Machinery and equipment	379,145	15,899	4,593	390,451
Total other capital assets at cost	435,668	16,177	4,584	447,261
Depletable capital assets:				
Natural Gas Reserve	14,769	107	-	14,876
Less accumulated depreciation:				
Building and improvements	27,091	16,462	14,923	28,630
Machinery and equipment	197,789	674	(10,339)	208,802
Total accumulated depreciation	224,880	17,136	4,584	237,432
Less allowance for gas depletion				
Natural Gas Reserve	1,522	330	-	1,852
Total assets being depreciated	224,035	(1,182)	-	222,853
Electric Fund capital assets, net	$ 277,542	12,176	-	289,718

4. Long-Term Debt

The Electric Utility's long-term debt as of June 30, 2010 and 2009 consists of the following:

	Remaining Interest Rates	Original Issue	Outstanding June 30, 2010	Outstanding June 30, 2009
Electric Revenue Bonds, 2003 Series	3.25%-6.00%	$31,640	$26,075	$26,870
Electric Revenue Bonds, 2006 Refunding Series	4.00%-5.00%	$38,830	$35,075	$36,135
Electric Revenue Bonds, 2008 Series	4.00%-5.00%	$60,000	$60,000	$60,000

Electric Revenue Bonds, 2003 Series

The Electric utility of Glendale Water & Power issued $31,640 in revenue bonds in February 2003 to finance the costs of acquisition, construction and installation of a nominally rated 49 megawatts gas-fired simple cycle combustion turbine for the Electric System of the City.

The terms of the 2003 Electric Revenue Bonds' (2003 Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $1,070.

The bonds mature in regularly increasing amounts ranging from $795 to $1,865 annually from 2011 to 2032. The 2003 Bonds maturing on or prior to February 1, 2013 are not subject to redemption prior to maturity. The 2003 bonds maturing on and after February 1, 2014 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2013, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2003 Bonds to be redeemed, together with accrued interest to the redemption date.

Electric Revenue Bonds, 2006 Refunding Series

The Electric utility of Glendale Water & Power issued $38,830 in revenue bonds in April 2006 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2000 Series. The bond proceeds were deposited in an escrow account and will be used to refund the Electric Revenue Bonds, 2000 Series through a legal defeasance. The advance refunding of Electric Revenue Bonds, 2000 Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. Deferred loss on refunding as of June 30, 2010 for $1,566 is recognized and reported in the financial statements as a contra account to bonds payable and is being amortized through February 1, 2030. As of June 30, 2010, $37 million of the 2000 series bonds outstanding are considered defeased. Liabilities for defeased bonds are not included in the City's financial statements.

The terms of the Electric Revenue Bonds, 2006 Refunding Series' (2006 Refunding Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $1,327.

The bonds mature in regularly increasing amounts ranging from $1,110 to $2,570 annually from 2011 to 2030. The 2006 Refunding Bonds maturing on or prior to February 1, 2016 are not subject to redemption prior to maturity. The 2006 Refunding Bonds maturing on and after February 1, 2017 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2016, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2006 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

Electric Revenue Bonds, 2008 Series

The Electric utility of Glendale Water & Power issued $60,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Electric System of the City.

The terms of the 2008 Electric Revenue Bonds' (2008 Bonds) indenture require the trustee to establish and maintain a reserve equal to the Reserve Fund Requirement. The Reserve Fund Requirement is defined by the Debt Indenture as the maximum annual debt service on the debt service schedule. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $2,241.

The bonds mature in regularly increasing amounts ranging from $1,880 to $4,195 annually from 2018 to 2038. The 2008 Bonds maturing on or prior to February 1, 2018 are not subject to redemption prior to maturity. The 2008 bonds maturing on and after February 1, 2019 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2018, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2008 Bonds to be redeemed, together with accrued interest to the redemption date.

June 30, 2010	Amount outstanding at June 30, 2009	Additions	Retirements	Amount outstanding at June 30, 2010	Due within one year
Electric Revenue Bonds, 2003 Series	$ 26,870	-	795	26,075	795
Electric Revenue Bonds, 2006 Refunding Series	36,135	-	1,060	35,075	1,110
Electric Revenue Bonds, 2008 Series	60,000	-	-	60,000	-
Accrued interest	111	-	111	-	-
Bond Premium	2,209	-	127	2,082	566
Deferred Amount on Refunding	(1,863)	-	(151)	(1,712)	(146)
Arbitrage rebate	19	1		20	20
Total bonds payable	123,481	1	1,942	121,540	2,345

June 30, 2009	Amount outstanding at June 30, 2008	Additions	Retirements	Amount outstanding at June 30, 2009	Due within one year
Electric Revenue Bonds, 2003 Series	$ 27,665	-	795	26,870	795
Electric Revenue Bonds, 2006 Refunding Series	37,145	-	1,010	36,135	1,060
Electric Revenue Bonds, 2008 Series	60,000	-	-	60,000	-
Accrued interest	116	-	5	111	5
Bond Premium	2,327	-	118	2,209	131
Deferred Amount on Refunding	(2,018)	-	(155)	(1,863)	(151)
Arbitrage rebate	-	19	-	19	-
Total bonds payable	125,235	19	1,773	123,481	1,840

The annual debt service requirements to amortize long-term bonded debt at June 30, 2010 are as follows:

	Revenue Bonds		
Fiscal year	Interest	Principal	Total
2011	$ 5,557	1,905	7,462
2012	5,468	1,965	7,433
2013	5,362	2,020	7,382
2014	5,268	2,095	7,363
2015	5,176	2,190	7,366
2016-2020	23,979	18,285	42,264
2021-2025	18,918	26,750	45,668
2026-2030	12,198	33,240	45,438
2031-2035	6,600	20,635	27,235
2036-2038	2,160	12,065	14,225
	$ 90,686	121,150	211,836

There are a number of limitations and restrictions contained in the bond indenture.

5. *Pension Plan*

Full-time employees of the Fund participate with other City employees in the Public Employees Retirement System (PERS) of the State of California, which is an agent multiple-employer public employee retirement system. The Fund's contributions represent a pro rata share of the City's contribution, including the employees' contribution that is paid by the Fund, which is based on PERS's actuarial determination as of July 1 of the current fiscal year. PERS does not provide data to participating organizations in such a manner so as to facilitate separate disclosure for the Fund's share of the actuarial computed pension benefit obligation, the plan's net assets available for benefit obligation and the plan's net assets available for benefits. Approximately 22% of full-time City workers are employed by the Fund.

Plan Description

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

All full-time employees, which includes both safety and general employees, are required to participate in the single CalPERS plan, in which all related benefits vest after five years of service. Upon five years of service, employees who retire at age 50 or older are entitled to receive an annual retirement benefit. The benefit is payable monthly for life. The benefit is calculated as follows: years of credited service multiplied by their highest twelve consecutive months of salary multiplied by a percentage factor. This percentage factor is age-based – public safety employees use the 3% at age 50 factor and general employees use the 2.5% at age 55 factor. The system also provides death and disability benefits. CalPERS issues a publicly available financial report that includes financial statements and required supplemental information of participating public entities within the state of California. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy

CalPERS is a contributory plan deriving funds from employee and employer contributions as well as earnings from investments. According to the plan, the City's general employees are required to contribute 8% of their annual salary and the City's safety employees are required to contribute 9% of their annual salary. The City is also required to contribute at an actuarially determined rate. The City's contribution rate for safety members starting on July 1, 2009 was 24.000%. The City's contribution rate for general members starting on July 1, 2009 was 11.519%. The contribution requirements of plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Based on the Memorandum of Understandings between the City and the various City Associations, all employees contribute part of the City's portion in fiscal year 2009-10, in addition to their required employees' contributions. Both Glendale City Employee Association (GCEA) and Glendale Management Association (GMA) contribute additional 0.5% of their persable earnings, Glendale Fire Fighter Association (GFFA) contribute additional 1.5% of their persable earnings, and Glendale Police Officers Association (GPOA) contribute additional 1.5% of their annual salaries.

Annual Pension Cost

Contributions to CalPERS totaling $23,852 were made during the fiscal year ended June 30, 2010 in accordance with actuarially determined contribution requirements through an actuarial valuation performed at June 30, 2005. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% a year compounded annually (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, (c) no additional projected salary increases attributable to seniority/merit and (d) no post retirement benefit increases. The actuarial value of the City's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period depending on the size of investment gains and/or losses. CalPERS uses the entry-age-normal-actuarial-cost method, which is a projected-benefit-cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued. According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. In addition, the employer's total normal cost is expressed as a level percentage of payroll. CalPERS also uses the level-percentage-of-payroll method to amortize any unfunded actuarial liabilities. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization. See Note 10, Subsequent Event for further discussion on Cal PERS results subsequent to June 30, 2010.

Three Year Trend Information

Fiscal year ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008:			
Misc.	$ 10,691	100%	0
Safety	11,213	100%	0
Total	$ 21,904		
6/30/2009:			
Misc.	$ 12,004	100%	0
Safety	11,885	100%	0
Total	$ 23,889		
6/30/2010:			
Misc.	$ 11,829	100%	0
Safety	12,023	100%	0
Total	$ 23,852		

Schedule of Pension Funding Progress (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability <AAL> – Entry Age	(Over-funded AAL) / Under-funded AAL	Funded Ratio	Covered Payroll	(Overfunded AAL)/ Underrfunded AAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	{(B-A)/C)}
6/30/2007:						
Misc.	$ 603,040	634,332	31,292	95.1%	95,082	32.9%
Safety	386,561	447,885	61,324	86.3%	44,131	139.0%
Total	$ 989,601	1,082,217	92,616	91.4%	139,213	66.5%
6/30/2008:						
Misc.	$ 641,356	678,218	36,862	94.6%	101,970	36.1%
Safety	413,321	485,398	72,077	85.2%	46,911	153.6%
Total	$ 1,054,677	1,163,616	108,939	90.6%	148,881	73.2%
6/30/2009:						
Misc.	$ 666,773	759,485	92,712	87.8%	104,075	89.1%
Safety	430,823	533,851	103,028	80.7%	48,703	211.5%
Total	$ 1,097,596	1,293,336	195,740	84.9%	152,778	128.1%

6. Self-Insurance Program

The Fund is covered by the City's unemployment and workers' compensation insurance. For purposes of general liability, the Fund is self-insured through the City's self-insurance program which is accounted for in the Internal Service Fund of the City. The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City retains risks for the following types of liabilities: workers' compensation insurance, unemployment insurance, post employment benefits, general auto, dental, medical and vision as well as public liability through separate Internal Service Funds. The City purchased several commercial insurance policies from third-party insurance companies for errors and omissions of its officers and employees, and destruction of assets as well as excess workers' compensation and general public liability claims. The City also purchases property, aviation and employee dishonesty insurance. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2010-11 is as follows:

Insurance Type	Program Limits	Deductible /SIR (self insured retention)
Excess Liability Insurance	$20,000	$2,000 SIR per occurrence
D &O Employment Practices	$2,000	$250 SIR non-safety; $500 SIR safety
Excess Workers' Comp Employer's Liability Insurance	Statutory	$2,000 SIR per occurrence
Property Insurance (GWP)	$250,000	Various deductibles up to $250
Property Insurance (Non-GWP)	$400,000	$25 deductible all locations
Aviation Insurance (Police Helicopter)	$50,000	Various deductibles
Employee Dishonesty – Crime Policy	$1,000	$10

Operating funds are charged a premium and the Internal Service Funds recognize the corresponding revenue. Claims expenses are recorded in the Internal Service Funds. Premiums are evaluated periodically and increases are charged to the operating funds to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses.

Claims payable liability has been established in these funds based on estimates of incurred but not reported and litigated claims. Management believes that provisions for claims at June 30, 2010 are adequate to cover the cost of claims incurred to date. However, such liabilities are, by necessity, based upon estimates and there can be no assurance that the ultimate cost will not exceed such estimates. A reconciliation of the changes in the aggregate liabilities for claims for the current fiscal and the prior fiscal year are as follows:

Fiscal Year	Beginning Balance	Claims and Changes	Claim Payments	Ending Balance
2008-09	$31,306	$33,329	$28,511	$36,124
2009-10	$36,124	$45,743	$41,091	$40,776

7. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets are reported as unrestricted when there are no limitations imposed on their use.

Excess capital surcharge revenue designated to retrofit the City's Grayson Power Plant as mandated by Air Quality Management for fiscal years 2010 and 2009 was $5,741 and $5,924, respectively.

A Cash Reserve Policy for the Electric Fund was first established in 2003. Its provision calls for annual review of the reserves to determine if the recommended levels are sufficient. The annual review of the Cash Reserve Policy for the fiscal year ending June 30, 2010, established a target of $66,400 of designated cash in the following categories: $40,400 for contingency reserve; $10,000 for rate stabilization reserve; and $16,000 for Reserve for Gas Reserve Project. As of June 30, 2010 and 2009, $43,181 and $69,083 was designated, respectively, and reported in unrestricted net assets on the Statements of Net Assets.

8. Jointly Governed Organizations

The City has entered into eight "Take or Pay" contracts, which require payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Such payments represent the City's share of current and long-term obligations. Payment for these obligations is expected to be made from operating revenues received during the year that payment is due. These contracts provide for current and future electric generating capacity and transmission of energy for City residents. Through these contracts, the City purchased approximately 62% of its total energy requirements during fiscal year 2009-2010. This energy will displace some of the energy that was to have been supplied by the local generating plant. The City is obligated to pay the amortized cost of indebtedness regardless of the ability of the contracting agency to provide electricity. The original indebtedness will be amortized by adding the financing costs to purchase energy over the life of the contract. All of these agreements contain "step-up" provisions obligating the City to pay a share of the obligations of any defaulting participant.

The Intermountain Power Project, a subdivision of the State of Utah, was formed in January 1974 to finance the construction of a 1,400 megawatt coal-fired generating plant, consisting of two generating units located near Delta, Utah. The project began uprating of the two generating units in early 2003. When the uprating was finished in March 2004, it increased the capacity of the plant from 1,400 megawatts to 1,800 megawatts.

The City through contract is obligated for 30 megawatts or 1.704% of the generation. In addition, the City entered into an "Excess Power Sales Agreement" with the ICPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the City to an additional share of 8 megawatts or 0.501% beginning March 24, 2004. The total City's obligation from Intermountain Power Project (IPP) is 38 megawatts.

The City joined the Southern California Public Power Authority (SCPPA) on November 1, 1980. This authority, consisting of the California cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District, was formed for the purpose of financing future power resources. The City has entered into eight projects with SCPPA.

The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of three (3) units, each having an electric output of approximately 1,270 megawatts. SCPPA has purchased approximately 225 megawatts of capacity and associated energy (approximately 5.910% of total Palo Verde output), of which the City receives 9.9 megawatts or 4.400% of SCPPA's entitlement. As of June 30, 2010, Glendale's share is 4.400% (PV).

A second project financed through SCPPA is the Southern Transmission System (STS) that transmits power from the coal-fired IPP to Southern California. The 500 kV DC line is rated at 1,920 megawatts. The City's share of the line is 2.2740% or approximately 44 megawatts. As of June 30, 2010, Glendale's share is 2.2740% (STS).

A third project financed through SCPPA is the acquisition of 41.80% ownership interest in a coal-fired 497 megawatt unit in San Juan Generating Station, Unit 3, located in New Mexico. SCPPA members are entitled to 208 megawatts. The City is obligated for 20 megawatts or 9.8047% of the SCPPA entitlement. As of June 30, 2010, Glendale's share is 9.8047% (SJ).

A fourth project financed through SCPPA is Mead-Adelanto Project (MA). The project consists of a 202-mile 500 kV AC transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada, and the development of the Marketplace Substation at the southern Nevada terminus approximately 17 miles southwest of Boulder City, Nevada. The initial transfer capability of the Mead-Adelanto Project is estimated at 1,200 megawatts. SCPPA members in the project are entitled to 815 megawatts. The City is obligated for 90 megawatts or 11.0430% of the SCPPA entitlement. As of June 30, 2010, Glendale's share is 11.0430% (MA).

A fifth project financed through SCPPA is Mead-Phoenix Project (MP). The project consists of a 256-mile long 500 kV AC transmission line from the Westwing Substation in the vicinity of

Phoenix, Arizona to the Marketplace Substation approximately 17 miles southwest of Boulder City, Nevada with an interconnection to the Mead Substation in southern Nevada. The project consists of three separate components: the Westwing-Mead Component, the Mead Substation Component, and the Mead-Marketplace Component. The City's participation shares in the components range from 11.7647% to 22.7273%. The Mead-Phoenix Project in conjunction with the Mead-Adelanto Project provides an alternative path for the City's purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical coal energy is readily available. As of June 30, 2010, Glendale's share is 14.8000% (MP).

A sixth project financed through SCPPA is the Magnolia Power Project (MPP) located on Burbank Water & Power's generation station complex adjacent to Magnolia Boulevard in Burbank, California. The project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts. The City is obligated for 40 megawatts or 16.5289% of the project's output. As of June 30, 2010, Glendale's share is 16.5289% (MPP).

A seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the City entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 5,000 MMBtu per day at a discounted price below spot market price. The delivery of natural gas started in July 2008. As of June 30, 2010, Glendale's share is 23.0000% (NGPP)

An eighth project financed through SCPPA is the Linden Wind Energy Project (LIN) located in Klickitat County in the state of Washington. The facility is a 50 MW capacity wind farm. The 25 year purchase power agreement with SCPPA is for purchase of 10% (approximately 5 MW) of the capacity of the project. The city has a three year agreement to sell its output entitlement share to Los Angeles Water and Power (LADWP) and LADWP is obligated to pay Glendale's share of the monthly costs for such output entitlement share under the power purchase agreement. The City's debt service obligation and associated costs will begin in fiscal year 2011. As of June 30, 2010, Glendale's share is 10.0000% (LIN).

Take-or-Pay commitments expire upon final maturity of outstanding bonds for each project. Final fiscal year contract expirations are as follows:

Project	Contract Expiration Date	Glendale's Share
Intermountain Power Project (IPP)	2027	2.2060%
Palo Verde Project (PV)	2030	4.4000%
Southern Transmission System (STS)	2027	2.2740%
San Juan Project (SJ)	2030	9.8047%
Mead-Phoenix Project (MP)	2030	14.8000%
Mead-Adelanto Project (MA)	2030	11.0430%
Magnolia Power Project (MPP)	2036	16.5289%
Natural Gas Prepaid Project (NGPP)	2038	23.0000%
Linden Wind Energy Project (LIN)	2030	10.0000%
Tieton Hydropower Project (THP)	2029	50.0000%

A summary of the City's "Take or Pay" contracts and related projects and its contingent liability at June 30, 2010 is as follows:

	IPP	SJ	PV	STS	MA	MP	MPP	NGPP	LIN*	THP*	TOTAL
2011	$ 6,223	1,845	542	1,769	2,527	1,176	3,809	5,180	770	1,497	25,339
2012	5,570	1,845	545	2,143	2,525	1,176	3,808	5,020	1,016	1,680	25,327
2013	4,401	1,845	547	1,936	2,529	1,177	3,811	4,849	1,015	1,679	23,789
2014	4,633	3,171	551	1,942	2,506	985	3,811	4,628	1,016	1,680	24,923
2015	4,178	1,647	554	1,950	2,504	1,010	3,812	4,538	1,015	1,679	22,887
2016-2020	22,878	6,539	1,116	9,778	11,884	4,761	15,778	23,178	5,078	8,399	109,390
2021-2025	9,778	-	-	7,330	-	-	15,736	26,917	5,078	9,221	74,061
2026-2030	-	-	-	1,640	-	-	16,638	31,855	5,078	8,339	63,551
2031-2035	-	-	-	-	-	-	17,232	29,641	4,912	8,339	60,123
2036-2040	-	-	-	-	-	-	11,427	9,743		10,020	31,189
Total	$ 57,660	16,891	3,856	28,489	24,475	10,284	95,863	145,549	24,977	52,534	460,579

* Bonds issued in FY 2010-11. Debt service schedule taken from Official Statement

In addition to debt service, the City's entitlement requires the payment for fuel costs, operation and maintenance (O&M), administrative and general (A&G), and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for fiscal year 2009-10 and budgets for fiscal year 2010-11 are as follows:

Fiscal Year	IPP	SJ	PV	STS	MA	MP	MPP	NGPP	LIN	THP	Total
2010	$ 6,251	7,885	2,240	398	256	109	3,798	78	-	-	21,015
2011	8,560	6,605	2,078	550	244	181	3,841	25	1,292	768	24,144

9. Contingent Liabilities and Commitments

Power Purchase Agreements

The City first participated in Boulder Canyon Project for electric service from the Hoover Power Plant in 1937 for a term of 50-year, expired on May 31, 1987. The plant was operated by Southern California Edison and Los Angeles Department of Water and Power under the supervision of the Bureau of Reclamation during the contract term.

Before the expiration of the contract, Hoover Power Plant Act of 1984 authorized the uprating of the 17 main generating units and provided long-term contingent capacity and firm energy to the participants in a renewal contract. The uprating program replaced all 17 original turbines in the Hoover Dam Power Plant began in 1986. When the program was finished in 1993, it increased the capacity of the plant from 1,344 megawatts to 2,079 megawatts.

In January 1987, the City renewed the contract with the United States Bureau of Reclamation providing for the advancement of funds for the Hoover Uprating Project and Western Area Power Administration for the purchase of power from the project. The renewed contract is for a term of 30-year from 1987 to 2017. The Bureau of Reclamation also assumed control of operation and maintenance of the plant in 1987. Under this renewed contract, the City is entitled to 21 megawatts or 1.0251% of the capacity and 1.5874% of the firm energy.

The City's electric operation is committed to purchase all available landfill gas generated by Scholl Canyon LFG Limited Partnership at a price based on various natural gas indices. The term of this commitment is for a period of twenty years from July 1994 to July 2014. The contract was bought out in January 2010 by the City of Glendale and the entire landfill gas delivery facility is currently being operated by the City.

The City's electric operation executed two power sale and exchange agreements in 1988. The first agreement is with Bonneville Power Administration (BPA). The 20-year agreement with BPA expired in April 2008. The second agreement is a 25-year power sale and exchange agreement with Portland General Electric Company (PGE). The sale portion calls for the City to receive 20 megawatts of capacity and associated energy over the Pacific Northwest Intertie at its discretion. In exchange, the City may call up to 30 megawatts during the summer months (June through September) and PGE may call for the same amount in winter months (November through February). Energy cannot exceed 1,800 megawatts per week.

In August 2003, the City entered into a 25-year contract, cancelable after 20 years, with PPM Energy, Inc. for the purchase of 9 megawatts of capacity from wind-powered resources in California. The City began taking delivery of the energy on September 1, 2003.

In June 2005, the City entered into a 25-year power sales agreement with SCPPA for the Ormat Geothermal Energy Project for purchase of up to 3 megawatts of the project electric energy. The project began commercial operation in January 2006.

In October 2006, the City entered into a 16-year contract with PPM Energy, Inc. for the purchase of 10 megawatts of capacity from wind-powered resources in Wyoming. The City began taking delivery of the energy under WSPP master agreement from July 1, 2006 through September 30, 2006. The contract term started on October 1, 2006.

In November 2007, City Council approved a purchase power agreement with the SCPPA for the purchase of 20 megawatts of renewable energy from Pebble Springs Wind Generation Facility for a term of 18-year. The project began commercial operation in January 2009.

In October 2009, the City Council approved a purchase power agreement with SCPPA for the purchase of 50% (approximately 6.8 MW) of renewable energy from a small hydroelectric resource near the town of Tieton in Yakima County, Washington. The Tieton Hydropower Project (THP) has a maximum capacity of approximately 20 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with PacificCorp's Tieton Substation. Delivery of energy from the project to the City started in May 2009. The City's debt service obligation and all associated costs will begin in fiscal year 2011.

In August 2009, the City Council approved a 20 year purchase power agreement with SCPPA for the purchase of 7.63% (approximately 20 MW) of renewable energy from the Windy Point/Windy Flats project. The facility is a 262.2 MW capacity wind farm located in Klickitat County in the state of Washington. The city has a three year agreement to sell its output entitlement share to Los Angeles Water and Power (LADWP) and LADWP is obligated to pay Glendale's share of the monthly costs for such output entitlement share under the power purchase agreement.

Litigation

The City is a defendant in several general damage and personal injury lawsuits and claims. These claims arise primarily from injuries sustained by the claimants while on property owned or maintained by the City. While litigation is by nature uncertain, management believes, based on consultation with the City Attorney, that these cases in the aggregate are not expected to result in a material adverse impact on the City. Additionally, City management believes that sufficient reserves are available to the City to cover any potential losses should an unfavorable outcome materialize.

10. Subsequent Event

CalPERS Employer Contribution Rates

As is the case with most retirement systems, CalPERS is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on the Retirement System depends in large measure on how deep the market downturn is, how long it lasts, and how it fits within fiscal year reporting periods. The resulting market risk and associated realized and unrealized gains and losses could impact the financial condition of the Retirement System and the City's required contribution to the Retirement System. The reader of these financial statements is advised that financial markets may continue to be volatile and are experiencing significant changes on almost a daily basis.

CalPERS rate stabilization policies now spread market gains and losses over 15 years, thus reducing the volatility of employer rates. Despite the rate stabilization, CalPERS's negative investment returns in fiscal year 2007-08 and 2008-09, caused by the unprecedented turmoil in the financial markets, will increase the City's employer contributions substantially starting fiscal year 2011-12.

Based on CalPERS Annual Valuation Report as of June 30, 2009, which was issued in October 2010, the required and projected employer contributions for the next four fiscal years are as follows:

	Miscellaneous Plan	
	Employer Rates	Budgeted Payroll (unaudited)
FY2010-11	11.67%	$28,726
FY2011-12	15.66%	$29,268
FY2012-13	17.0%(projected)	$29,268
FY2013-14	20.4%(projected)	$29,268