

CITY OF BAKERSFIELD, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2007



Prepared by the Department of Finance
Nelson K. Smith, Finance Director

CITY OF BAKERSFIELD

Comprehensive Annual Financial Report
Year Ended June 30, 2007

Table of Contents

INTRODUCTORY SECTION	<u>Page</u>
Table of Contents	i
Letter of Transmittal	iv
GFOA Certificate of Achievement	viii
Organizational Chart	ix
Elected and Administrative Officers	x
 FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet To the Government-Wide Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	28
Proprietary Funds:	
Statement of Net Assets	30
Statement of Revenues, Expenses and Changes in Fund Net Assets	32
Statement of Cash Flows	34
Fiduciary Funds:	
Statement of Fiduciary Net Assets	40
Statement of Changes in Fiduciary Net Assets	41
Notes to Basic Financial Statements	43

CITY OF BAKERSFIELD

Comprehensive Annual Financial Report
Year Ended June 30, 2007

Table of Contents

FINANCIAL SECTION, Continued**Required Supplementary Information:**

Budgetary Information	83
Budgetary Comparison Schedule for the General Fund	84
Budgetary Comparison Schedule for the Transient Occupancy Tax Fund	85
Budgetary Comparison Schedule for the Community Development Block Grant Fund	85
Budgetary Comparison Schedule for the Gas Tax Fund	86
Defined Pension Plan	87
Other Post Employment Benefit (OPEB) Irrevocable Trust.....	87
Defined Benefit Pension Trust	88

Supplementary Information:

Statement of Changes in Assets and Liabilities – Agency Funds	90
Non-Major Governmental Funds:	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
Internal Service Funds:	
Combining Statement of Net Assets	98
Combining Statement of Activities and Changes in Net Assets	99
Combining Statement of Cash Flows	100
Governmental Funds by Fund Type:	
General Fund	
Balance Sheet	102
Statement of Revenues, Expenditures and	
Changes in Fund Balances – Budget and Actual Comparison	103
Schedule of Expenditures by Department – Budgetary	
Level of Control – Budget and Actual Comparison	105
Special Revenue Funds:	
Combining Balance Sheet	108
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances	110
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances – Budget and Actual Comparison	112
Debt Service Funds:	
Combining Balance Sheet	118
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances	119
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances – Budget and Actual Comparison	120
Capital Projects Funds:	
Combining Balance Sheet	124
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances	126
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances – Budget and Actual Comparison	128

CITY OF BAKERSFIELD

Comprehensive Annual Financial Report
Year Ended June 30, 2007

Table of Contents

STATISTICAL SECTION

Net Assets by Component – Last Six Fiscal Years	134
Change in Net Assets – Last Six Fiscal Years	136
Fund Balances of Governmental Funds – Last Six Fiscal Years	140
Changes in Fund Balances of Governmental Funds – Last Six Fiscal Years	142
Governmental Activities Tax Revenues By Source – Last Six Fiscal Years	144
Principal Property Taxpayers – Current Year and Five Years Ago.....	145
Assessed Value and Estimated Actual Value of Taxable Property – Last Six Fiscal Years	146
Property Tax Rates/Direct and Overlapping Governments – Last Six Fiscal Years	148
Property Tax Levies and Collections – Last Six Fiscal Years.....	150
Ratio of General Bonded Debt Outstanding – Last Six Fiscal Years	151
Ratio of Outstanding Debt by Type – Last Six Fiscal Years	152
Direct and Overlapping Debt as of June 30.....	154
Computation of Legal Debt Margin	155
Pledged Revenue Coverage – Last Six Fiscal Years	156
Demographic and Economic Statistics – Last Six Fiscal Years	157
Full-time Equivalent City Government Employees by Function – Last Six Fiscal Years.....	158
Property Value, Construction and Bank Deposits – Last Ten Fiscal Years	160
Operating Indicators by Function – Last Six Fiscal Years	162
Capital Asset Statistics by Function – Last Six Fiscal Years	164
Schedule of Insurance in Force	166

November 26, 2007

Honorable Mayor, City Council, City Manager and Citizens of Bakersfield:

In accordance with requirements of our Municipal Code (Section 2.08.020F) I am pleased to submit the City's Comprehensive Annual Financial Report for the year ended June 30, 2007. This report was prepared by the City's Finance Department, which assumes responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures.

The accompanying financial statements of the City of Bakersfield (the "City") have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Generally Accepted Accounting Principals (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Bakersfield's MD&A can be found immediately following the report of the independent auditors, which begins at page 1 of the financial section.

GENERAL BACKGROUND

The City of Bakersfield is located approximately one hundred miles north of Los Angeles in the southern San Joaquin Valley. The City maintains an incorporated area of 135.48 square miles and has an estimated population of 323,213 as of January 1, 2007.

The City of Bakersfield is a Charter City that offers a full range of City services including:

- Fire and Police Protection
- Streets and Infrastructure Maintenance
- Planning and Community Development
- Parks and Recreation Services
- Water Utility
- Municipal Airpark - General Aviation
- Refuse Collection
- Wastewater Treatment

As such, this report includes the financial activities of the City, the Bakersfield Redevelopment Agency, and the Public Financing Authority. A more detailed discussion of the reporting entity is provided in the notes to the financial statements.

MAJOR INITIATIVES

The City continues to make progress on the Westside Parkway project, which will be an at grade, separated access controlled freeway from Heath Road to Mohawk Avenue. To date the City has spent over \$24 million for preliminary engineering work and acquisition of right-of-way. The California Transportation Commission (CTC) has recommended the use of STIP Augmentation funds in the amount of \$10.5 million for design and preparation of construction documents; \$6.2 million for right-of-way acquisition; and, \$54.3 million for construction of the Mohawk portion of the project. These funds have been budgeted in the 2007-08 fiscal year.

The City received major funding for several new freeway projects as a result of the 2005 Federal Transportation Bill approved two years ago by the Federal Government. The congressional action will provide approximately \$630 million of federal funds to the City over the next ten years for design and construction of a freeway / beltway system and other major transportation corridors within the metro Bakersfield area. The City is working together with staff from Cal Trans and the County of Kern to keep these projects moving forward. The City has hired Parsons Engineering to assist with overall administration of the various freeway projects. The group of freeway projects are referred to as the Thomas Road Improvement Program, or TRIP. Construction has begun on the Fairfax / Hwy 178 interchange project and several other TRIP projects have contracts in place for environmental study work.

The expansion of the wastewater treatment plant that services the western half of Bakersfield is also moving forward. The \$211 million construction project was awarded to Kiewit Construction in August 2007. This project, along with two other wastewater projects, is being funded by a \$245 million Wastewater Revenue Bond issue that was also completed in August 2007. The expansion project will double the size of the Westside plant, taking it from a capacity of 16 million gallons per day (MGD) to 32 MGD. The estimated 30 month construction period targets completion of the project in early 2010. The bonds will be repaid with future sewer connection fees and / or sewer user charges.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy and Local Budget issues- The City of Bakersfield currently shows signs of a stable economic environment. The area continues to show modest growth in both new housing starts and commercial development. The past two years produced unprecedented growth in sales tax, property tax, and building permit revenues. This growth was due in large part to the active residential housing market. With the slowdown of the housing market the City of Bakersfield is returning to more historic revenue trends. The local economic environment remains stable and indicators point toward modest growth consistent with historic trends. Property tax receipts increased by over 27% compared to the prior year while sales tax growth was about 3% compared to the prior year. Historic growth trends in both sales tax and property taxes have averaged in the 6% range for many years.

The City Council took a conservative approach in dealing with the higher than normal revenues over the past two years. During the 2006-07 budget process the City Council used some of this revenue spike to address some of the city's one-time capital needs. The Council also chose to add \$2,395,000 to our facility reserve fund, \$1,350,000 to our cash basis reserve, and fund over \$6.8 million toward the City's Retiree Medical Subsidy program during 2006-07. During the 2007-08 budget process the City Council set aside an additional \$2 million to the facility reserve fund and funded \$7.7 million toward the Retiree Medical Subsidy program.

Retirement costs have remained fairly level and are projected to stay flat for the next two years. Based on actuarial estimates provided by CalPERS, the City expects to see a slight decrease in retirement rates for current employees in fiscal year 2008-09 and another slight decrease in rates for fiscal year 2009-10.

State Budgetary Actions - The budget problems at the State level continue to be a major concern for the City of Bakersfield. The City has adjusted to prior State actions, including the reduction of Vehicle License Fees (VLF)

and the State action of taking one-fourth of our sales tax revenues and replacing them with property tax revenues (the so called "triple flip" budget action). We have compensated for the negative effects on our cash flow and interest earnings within the General Fund due to the timing and receipt of "backfill" of monies that come in the form of additional property tax receipts by increasing our cash basis reserve funds during the last two budget cycles. The City is aware that the State may again have a significant budget deficit looming on their horizon for 2007-08 and we will continue to monitor any potential actions they may propose that might have a negative effect on the City's financial status.

Long Term Financial Planning - The City of Bakersfield recently acquired a 55,000 square foot office building across the street from our existing city hall complex that would provide needed room for consolidation of some operations that are currently leasing space. The site also has land space for a second structure of similar size to address more long term space needs. We believe purchase of this facility will improve customer service to the citizens of Bakersfield and provide opportunities for improved operational efficiency. The City continues to monitor departmental needs for satellite storage and staging areas for Public Works and Parks operations. As the City continues to grow both in population and in geographic area we must continuously evaluate opportunities to become more efficient and effective in our efforts to serve our community.

Accounting system and internal controls - The City's accounting system is organized and operated on a fund basis. Each fund is a distinct self-balancing accounting entity. Various funds utilized by the City of Bakersfield are fully described in Note 1 of Notes to the Basic Financial Statements. The City's accounting records for general governmental operations are maintained on a modified accrual basis whereby revenues are recognized when measurable and available and expenditures are recognized when materials and services are received. Accounting records for the enterprise and internal services funds are recorded on an accrual basis, whereby revenues are recognized when earned and expenses are recognized when incurred.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (a) the cost of a control should not exceed the benefits likely to be derived and (b) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls - The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Project length financial plans are adopted for the capital projects funds. The level of budgetary control is established at the fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered amounts lapse at year end. However, encumbrances and certain capital projects are re-appropriated as part of the following year's budget. The 2006-07 City of Bakersfield appropriation limit established as required by state statute was \$229,681,910.

Cash Management - The City maintains a cash and investment pool that is available for use by all funds, except the fire pension trust fund. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and short-term investments. The deposits and investments of the fire pension trust fund are held separately from other City funds.

The City Council has adopted an investment policy in accordance with California government code sections 53607 and 53646, with a goal to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City is also governed by State statutes authorizing the City to invest in bonds or other evidences of indebtedness of the U. S. Government or any of its agencies and instrumentalities, repurchase agreements and

banker's acceptances. The pension trust investments are administered separately under Municipal Code Section 2.92, which is within state guidelines.

OTHER INFORMATION

Independent Audit - The City Charter requires an annual audit by independent certified public accountants. The City Council also adopted a policy regarding auditor rotation that limits the tenure of any one audit firm "not to exceed five consecutive years". The accounting firm of Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter, Accountancy Corporation was selected this year by the City Council to perform the annual audit for the 2006-07 fiscal year. This 2006-07 audit year is the first year of a contemplated five year agreement with this firm. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The auditors report on the basic financial statements, including the notes to the financial statements, but their opinion does not cover the combining and individual fund statements.

Awards - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bakersfield for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006, marking the twenty-sixth consecutive year Bakersfield has received the GFOA certificate. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments - The preparation of this report on a timely basis could not be accomplished without the efficient services of the entire staff of the Finance Department. I should like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I should also like to thank the Mayor, City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully,

Nelson K. Smith
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bakersfield
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

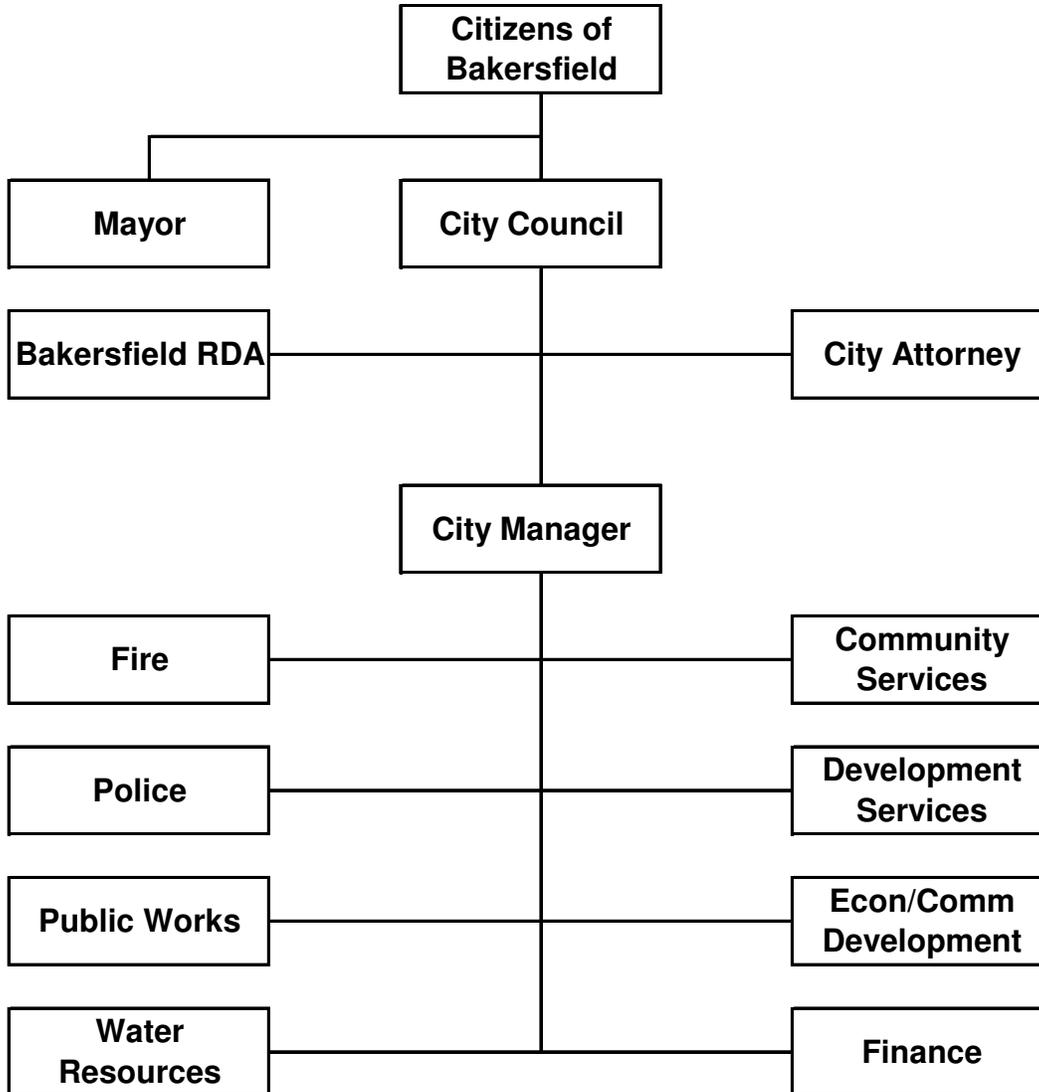
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of
Bakersfield
Organizational Chart



CITY OF BAKERSFIELD

June 30, 2007

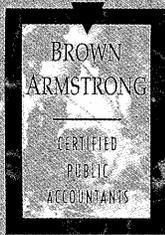
City Council

Harvey L. Hall	Mayor
Irma Carson	Member/Ward 1
Sue Benham	Member/Ward 2
Ken Weir	Member/Ward 3
David R. Couch	Member/Ward 4
Harold Hanson	Vice Mayor/Ward 5
Jacquie Sullivan	Member/Ward 6
Zack Scrivner	Member/Ward 7

Administrative Personnel

Alan Tandy	City Manager
John W. Stinson	Assistant City Manager
Virginia Gennaro.....	City Attorney
Donna Kunz	Economic Development Director
Nelson K. Smith	Finance Director
Ron Frazee	Fire Chief
Stanley Grady	Development Services Director
William Rector.....	Police Chief
Raul Rojas	Public Works Director
Dianne Hoover	Director Recreation & Parks
Florn Core	Water Resources Manager





BROWN ARMSTRONG
PAULDEN McCOWN STARBUCK THORNBURGH & KEETER
CERTIFIED PUBLIC ACCOUNTANTS

■ Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel. 661-324-4971 - Fax 661-324-4997
e-mail: info@bacpos.com

■ Shafter Office
560 Central Avenue
Shafter, California 93263
Tel. 661-746-2145 - Fax 661-746-1218

Andrew J. Paulden, CPA
Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Harvey J. McCown, MBA, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, MBA, CPA

Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
M. Sharon Jones, CPA, MST
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Montgomery, CPA, MBA
Matthew R. Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan J. Nielsen, CPA
Jian Ou-Yang, CPA
Ryan S. Johnson, CPA
Michael C. Olivares, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Richard A. Gammel, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Bakersfield, California

We have audited the accompanying financial statements of governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Bakersfield, California (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental funds, internal service funds, and fiduciary funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the supplementary information section of table of contents. These financial statements are the responsibility of the City of Bakersfield's management. Our responsibility is to express an opinion 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 *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 basic 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 opinion.

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, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Bakerfield, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the City's non-major governmental funds, internal service funds, and fiduciary funds, of the City of Bakersfield as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The *management's discussion and analysis* and *budgetary comparison* information as listed in the required supplementary information section of the accompanying table of contents are not a required part of the City's basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Bakersfield, California's basic financial statements and the financial statements of each of the non-major government funds, internal service funds, and agency funds. The introductory section and the statistical section identified in the table of contents, where applicable, are presented for the purposes of additional analysis and are not a required part to the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
November 26, 2007

CITY OF BAKERSFIELD

Management's Discussion and Analysis

This discussion and analysis of the City of Bakersfield's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the accompanying letter of transmittal, the basic financial statements, and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Bakersfield exceeded its liabilities at the close of the most recent fiscal year by \$2,232,400,139 (net assets). Of this amount, \$197,818,113 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$433,790,043 over the prior fiscal year. The vast majority of this increase is attributable to an increase in capital assets.
- As of the close of the current fiscal year, the City of Bakersfield's governmental funds reported combined ending fund balances of \$183,644,385, an increase of \$5,087,439 in comparison with the prior year. Approximately two-thirds of this total amount, \$127,936,009, is available for spending at the government's discretion (unreserved fund balance) within the limitations of each specific fund.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$35,833,716, or an increase of 3,185,301 from the prior year.
- The City of Bakersfield's total debt showed a net decrease of \$2,904,534 (12%) during the current fiscal year. The decrease in debt was a result of normal maturity on existing debt.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Bakersfield (City) and its component units, using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The City has fully complied with GASB 34 infrastructure reporting requirements. The current year financial statements include all current and historical infrastructure assets for governmental activities constructed or acquired through the 2006-07 fiscal year.

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. Additionally, certain eliminations have occurred as prescribed by the GASB statements in regards to inter-fund activity, payables and receivables.

The **Fund Financial Statements** include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

OVERVIEW OF THE FINANCIAL STATEMENTS**Government-Wide Financial Statements****The Statement of Net Assets and the Statement of Activities and Changes in Net Assets**

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and sales tax base.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City activities as follows:

Governmental activities -- Most of the City's basic services are reported in this category, including the General Government, Police, Fire, Public Works, Parks, Recreation and Community Development. These activities are generally financed by property and sales taxes, user fees, interest income, franchise fees, and state and federal shared revenues and grants.

Business-Type activities -- The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water system, Wastewater system, Refuse Collection system, Municipal Airport, and Off-street Parking activities are reported in this category.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds -- not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation schedule following each Governmental fund financial statement.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

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 Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's Enterprise funds are the same as the Business-Type activities reported in the Government-Wide statements, but provide more detail and additional information, such as cash flows, for Proprietary funds. The City uses Internal Service funds (the other component of Proprietary funds) to report activities that provide supplies and services for the City's other programs and activities--such as the City's Self-Insurance and Equipment Management funds. The Internal Service funds are reported with governmental activities in the Government-Wide financial statements.

Fiduciary Funds - The City is the trustee, or fiduciary, for certain funds held on behalf of various third parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain "Required Supplementary Information" concerning the City's progress in funding its obligation to provide pension benefits to its employees, budgetary comparison schedules for the General fund and Special Revenue major funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Bakersfield, assets exceeded liabilities by \$2,232,400,139 at the close of the most recent fiscal year.

The largest portion of the City of Bakersfield's net assets (87% of the total) reflects its investment in capital assets of \$1,941,746,222 (e.g., land, buildings, machinery, infrastructure and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Bakersfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Bakersfield's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

City of Bakersfield – Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
Assets						
Current and other assets	\$247,084,333	\$260,159,921	\$112,879,954	\$114,492,334	\$359,964,287	\$374,652,255
Capital assets	<u>982,993,060</u>	<u>1,332,966,643</u>	<u>553,059,776</u>	<u>632,213,457</u>	<u>1,536,052,836</u>	<u>1,965,180,100</u>
Total assets	<u>1,230,077,393</u>	<u>1,593,126,564</u>	<u>665,939,730</u>	<u>746,705,791</u>	<u>1,896,017,123</u>	<u>2,339,832,355</u>
Liabilities						
Long-term liabilities						
outstanding	28,323,932	33,931,824	24,845,535	23,335,859	53,169,467	57,267,683
Other liabilities	<u>29,787,879</u>	<u>31,206,092</u>	<u>14,449,681</u>	<u>18,958,441</u>	<u>44,237,560</u>	<u>50,164,533</u>
Total liabilities	<u>58,111,811</u>	<u>65,137,916</u>	<u>39,295,216</u>	<u>42,294,300</u>	<u>97,407,027</u>	<u>107,432,216</u>
Net Assets						
Invested in capital assets,						
net of related Debt	972,257,060	1,322,587,643	539,057,504	619,158,579	1,511,314,564	1,941,746,222
Restricted	88,005,496	84,478,351	8,318,774	8,357,453	96,324,270	92,835,804
Unrestricted	<u>111,703,026</u>	<u>120,922,654</u>	<u>79,268,236</u>	<u>76,895,459</u>	<u>190,971,262</u>	<u>197,818,113</u>
Total Net Assets	<u>\$1,171,965,582</u> *	<u>\$1,527,988,648</u>	<u>\$626,644,514</u>	<u>\$704,411,491</u>	<u>\$1,798,610,096</u>	<u>\$2,232,400,139</u>

* - As restated

An additional portion of the City of Bakersfield's net assets (\$92,835,804) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$197,818,113) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Bakersfield is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate Governmental and Business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$433,790,043 compared to the prior fiscal year. This increase is due almost entirely to the increases in infrastructure and related land for newly completed projects. Over half of this increase relates to land, streets and related structures transferred over to the City for newly completed residential developments. Approximately 20% of the increase is due to an adjustment to correct the value of land reported on a consultant infrastructure report from last fiscal year resulting from a calculation error.

Governmental activities – Governmental activities increased the City of Bakersfield's net assets by \$356,023,066, thereby accounting for the vast majority of the total growth in the net assets of the City of Bakersfield. Again, the main contributor to this increase is the investment in capital assets.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

City of Bakersfield – Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues						
Charges for services	\$ 89,194,524	\$ 60,557,831	\$ 70,793,030	\$ 80,741,325	\$ 159,987,554	\$ 141,299,156
Operating grants and contributions	13,699,627	14,052,014	17,016,789	15,268,751	30,716,416	29,320,765
Capital grants and contributions	18,987,290	254,881,641	449,969	54,024,256	19,437,259	308,905,897
Total Program Revenues	121,881,441	329,491,486	88,259,788	150,034,332	210,141,229	479,525,818
General revenues:						
Taxes:						
Property taxes	49,135,641	62,324,076			49,135,641	62,324,076
Sales taxes	66,495,453	68,367,251			66,495,453	68,367,251
Other taxes	5,074,460	4,047,002			5,074,460	4,047,002
Intergovernmental:						
Intergovt., unrestricted	2,176,967	1,845,520			2,176,967	1,845,520
Grants and contributions not restricted to specific programs	15,184,443	16,717,510			15,184,443	16,717,510
Investment earnings	1,332,755	4,470,903	3,140,800	6,020,066	4,473,555	10,490,969
Miscellaneous	85,279	13,128			85,279	13,128
Gain on sale of property	673,947	1,140,896			673,947	1,140,896
Total revenues	262,040,386	488,417,772	91,400,588	156,054,398	353,440,974	644,472,170
Expenses:						
General government	16,387,448	22,376,302			16,387,448	22,376,302
Public safety – Police	59,670,317 *	62,681,714			59,670,317	62,681,714
Public safety – Fire	29,279,579 *	27,697,731			29,279,579	27,697,731
Public works	46,690,764 *	66,939,234			46,690,764	66,939,234
Community services	21,178,222 *	23,360,416			21,178,222	23,360,416
Development services	9,551,861	10,738,435			9,551,861	10,738,435
Economic/Community dev.	2,982,790 *	3,980,925			2,982,790	3,980,925
Interest on long term debt	678,238	595,412			678,238	595,412
Subtotal - Governmental	186,419,219	218,370,169	-	-	186,419,219	218,370,169

CITY OF BAKERSFIELD

Management's Discussion and Analysis

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
Business Type:						
Wastewater treatment			18,476,617	19,660,934	18,476,617	19,660,934
Refuse collection			32,147,482	34,546,899	32,147,482	34,546,899
Agricultural water			4,269,889	4,577,030	4,269,889	4,577,030
Domestic water			13,516,193	15,963,620	13,516,193	15,963,620
General aviation			286,651	268,707	286,651	268,707
Off-street parking			174,258	174,531	174,258	174,531
Subtotal - Business Type	-	-	68,871,090	75,191,721	68,871,090	75,191,721
Total expenses	186,419,219	218,370,169	68,871,090	75,191,721	255,290,309	293,561,890
Change in net assets before transfers & other items	75,621,167	270,047,603	22,529,498	80,862,677	98,150,665	350,910,280
Transfers	1,370,202	3,095,700	(1,370,202)	(3,095,700)	-	-
Change in net assets	76,991,369	273,143,303	21,159,296	77,766,977	98,150,665	350,910,280
Net Assets - Beginning of Year (as restated)	1,094,974,213 **	1,254,845,345	605,485,218	626,644,514	1,700,459,431 *	1,881,489,859
Net assets - End of Year	\$1,171,965,582	\$1,527,988,648	\$626,644,514	\$704,411,491	\$ 1,798,610,096	\$2,232,400,139

* Balances from prior year are corrected totals. Construction in Progress from 2005/06 was not correctly separated by function.

** Balances include an \$82,879,763 restatement because of a calculation error in the Infrastructure Valuation Report.

Revenues increased in governmental activities due primarily to the increased capital contributions specifically in Public Works activities for newly completed housing developments.

Total expenses in Governmental activities increased from the previous fiscal year for most activities with the largest percentage in Public Works. Of the nearly \$32 million increase in expenses, \$20 million was for continued construction of major infrastructure improvements throughout the City. General Government increased by nearly \$6 million due primarily to the funding of the liability for Other-Post Employment Benefits in response to new financial reporting regulations. Community Services increased by over \$2 million from the prior year due to the expansion of park facilities and the related costs of maintenance.

Business-type activities – Business-type activities increased the City of Bakersfield's net assets by \$77,766,977, accounting for approximately 22.2% of the total growth in the government's net assets. This percentage change in net assets is consistent with contribution to the total change in the prior fiscal year.

Charges for services for Business-type activities increased by \$9,948,295, which represents a 14.1% increase over the prior fiscal year revenue figures. Operating grants and contributions for Business-type activities decreased by \$1,748,038, which is a 10.3% decrease from the prior year revenue figures. This decrease is a return to historic revenue levels from the increase that occurred in the prior year. The Refuse Service fund and Domestic Water fund showed the largest increase in expenses over the prior year, with increases of \$2,399,417 and \$2,447,427, respectively. These increases in costs resulted from a combination of additional new customers and increased usage.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

Investment earnings increased by \$2,879,266 for business-type activities because of a moderate upturn in investment market conditions.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds - The focus of the City of Bakersfield's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Bakersfield's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Bakersfield's Governmental funds reported combined ending fund balances of \$183,644,385, an increase of \$5,087,439 in comparison with the prior year. Approximately two-thirds of this total amount, \$127,936,009, is available for spending at the government's discretion (unreserved fund balance) within the limitations of each specific fund. The remainder of fund balance is "reserved" to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$39,300,887); 2) to be set aside as a cash basis reserve (\$11,159,944); 3) to pay debt service (\$2,225,000); 4) for facility replacement set aside (\$3,000,000), or 5) for a variety of other restricted purposes (\$22,545).

The General Fund is the chief operating fund of the City of Bakersfield. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$35,833,716, while total fund balance reached \$49,949,619. It may be useful to compare both unreserved fund balance and total fund balance to total expenditures as a measure of the General Fund's liquidity. Unreserved fund balance for the General Fund represents approximately 23.0% of General Fund expenditures. Total fund balance for the General Fund represents approximately 32.0% of General Fund expenditures.

The fund balance of the City of Bakersfield's General Fund is \$11,611 lower than the prior fiscal year, a minor amount when compared to prior years. Key factors in general fund activity are as follows:

- Property tax revenue increased by \$12,089,622 compared to the prior year and represents a 23.9% increase over the prior fiscal year. Of this amount supplemental taxes increased by 30% while the vehicle license fee increased by 40% and current secured taxes increased by 21% compared to last year. This increase is the result of increases in assessed values of existing homes and sales of new homes.
- Interest income increased by \$2,037,518 due to a moderate increase in both rate of return on interest bearing deposits and the related increase in fair market values of those investments.
- Transfers to other funds increased by \$10,424,310 due to a significant increase in construction of capital assets in the current fiscal year. This increase is over twice as much that was transferred from the General Fund for similar projects of a year ago.

The Transient Occupancy Tax fund has a total fund balance of \$2,030,343 at the end of the current year. The majority of the fund balance is available for spending at the government's discretion (unreserved fund balance). This fund's total revenues exceeded expenditures by \$1,021,127. This fund accounts for the local hotel taxes

CITY OF BAKERSFIELD

Management's Discussion and Analysis

collected by the City. The fund also accounts for the operations, maintenance and capital needs of the Rabobank Arena, Convention Center and the Bakersfield Ice Sports Center.

The Community Development Block Grant (CDBG) fund has a reserved fund balance of \$6,147,987 and a deficit of \$1,780,329 in unreserved fund balance at the end of the current year. Revenues exceeded expenditures and uses resulting in a net increase in fund balance of \$1,792,701. The block grant program is almost entirely funded by Housing and Urban Development (HUD) federal block grants and can only be used for specific purposes.

The Gas Tax and Road fund has a reserved fund balance of \$16,584,985 and a deficit of \$11,484,876 in unreserved fund balance that reflected an increase of \$6,753,883. Increase is a result of unearned revenue and pending amount due from other governments. Amounts reported in this fund include gasoline taxes received from the State of California and other federal and state grant proceeds earmarked for street related purposes.

The Special Assessment District capital fund has a total and unreserved fund balance of \$45,783,845, a decrease of \$8,187,406 over the previous fiscal year. The decrease is due to the continued payment of special assessment bonds and a decrease in the issuance of new special assessment bonds. All of these funds are reserved for the construction or acquisition of public improvements that are funded by 1915 act bonds. The bonds are **not** secured by the general taxing power of the City of Bakersfield (City), the County of Kern (County), or the State of California (State) or any political subdivision of the State; and neither the City, the County, nor the State nor any political subdivision of the State has pledged its full faith and credit for the repayment of the bonds.

The Capital Outlay fund has a total fund balance of \$18,630,912 at the end of the current year. Of this amount, \$4,245,355 is reserved for the payment of encumbrances on existing capital projects and \$3,000,000 is reserved for facility replacement set aside. The remaining funds of \$11,385,557 are designated for specified capital projects that were in the planning stage as of the end of the current fiscal year.

The Park Development fund has a total fund balance of \$9,246,153 at the end of the current year. Of this amount, only \$4,013 is reserved for the payment of encumbrances on existing capital projects. The remaining funds of \$9,242,140 are designated for either acquisition of parkland or construction of new park facilities. Revenues exceeded expenditures resulting in a net increase in fund balance of \$3,753,986. This increase is primarily a result of a significant decrease in capital activity from the prior year.

The Transportation Development fund has a total fund balance of \$44,847,747 at the end of the current year. Of this amount, \$8,895,684 is reserved for the payment of encumbrances on existing capital projects. The remaining funds of \$35,952,063 are designated for projects that have been identified as necessary to maintain the level of services required for the regional transportation network. In addition, expenses continue for the new roadway projects (Westside Parkway and projects for the Thomas Road Improvement Program).

Proprietary funds - The City of Bakersfield's proprietary funds are shown in their entirety in the government-wide financial statements. All funds are being reported as major funds, so there is no need to report additional detail elsewhere in the document.

The Wastewater Treatment fund has total net assets of \$467,375,699 at the end of the current year, an increase of \$44,676,626 over the prior year. Total net assets include \$414,795,666 invested in capital assets, which are not available to cover current expenses. \$3,317,261 of total net assets are restricted for capital improvements. The remaining net assets of \$49,262,772 are unrestricted and available to cover current operating and capital needs (including plant and equipment replacement) of the fund.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

The Refuse Collection fund has total net assets of \$12,689,804 at the end of the current year, a decrease of \$196,231 from the prior year. A portion of net assets of \$5,040,192 are designated for future landfill closure costs. The remainder of net assets within the Refuse fund are unrestricted and available to cover current operating and capital needs of the fund.

The Agricultural Water fund has total net assets of \$23,057,111 at the end of the current year, an increase of \$2,316,841 over the prior year. Total net assets include \$21,072,314 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$1,984,797 are unrestricted and thus there are no unrestricted funds available to cover current operating and capital needs of the fund.

The Domestic Water fund has total net assets of \$182,490,978 at the end of the current year, an increase of \$29,412,265 over the prior year. Total net assets include \$166,637,629 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$15,853,349 are unrestricted and available to cover current operating and capital needs of the fund.

The General Aviation fund has total net assets of \$9,952,684 at the end of the current year, a decrease of \$92,222 compared to the prior year. Total net assets include \$9,494,872 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$457,812 are unrestricted and available to cover current operating and capital needs of the fund.

The Offstreet Parking fund has total net assets of \$7,259,906 at the end of the current year, a decrease of \$69,267 compared to the prior year. Total net assets include \$7,158,098 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$101,808 are unrestricted and available to cover current operating and capital needs of the fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Bakersfield's investment in capital assets for its governmental and business type activities as of June 30 of the current fiscal year amounts to \$1,965,180,100 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Bakersfield's investment in capital assets for the current fiscal year was \$429,127,264.

The majority of the increase is a result of infrastructure constructed or acquired during the fiscal year. In addition, there was an \$82,879,763 restatement of capital assets related to the correction of an error in the infrastructure valuation report from the prior year. These financial statements include infrastructure assets constructed or acquired through 2006-07 fiscal years.

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

- A variety of street construction projects and rehabilitation of major arterial streets. Construction in progress for governmental activities as of the end of the current fiscal year had reached \$36,957,040. This figure includes over \$30 million towards major street construction and resurfacing projects throughout the City
- The Wastewater Treatment funds have over \$39 million in Construction in Progress in Business-type activities. This includes over \$15 million for various sewer line rehabilitation projects; over \$3.5 million to extend the sewer main line to Wastewater Treatment Plant #2; and over \$7.7 million to expand Wastewater Treatment Plant #3.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

- The City added over \$130 million in new streets and roads primarily due to new residential developments completed in the current year. These newly constructed right of ways are transferred over to the City by the various developers when the work is finalized.

City of Bakersfield – Capital Assets

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
Land and water storage rights	\$ 31,433,829	\$ 404,362,555 *	\$ 34,640,957	\$ 34,640,957	\$ 66,074,786	\$ 439,003,512
Depreciable buildings, property, equipment and infrastructure, Net	919,125,724 **	891,647,048	501,185,592 **	545,142,568	1,420,311,316	1,436,789,616
Construction in progress	32,433,507	36,957,040	17,233,227	52,429,932	49,666,734	89,386,972
Total Capital Assets	<u>\$ 982,993,060</u>	<u>\$ 1,332,966,643</u>	<u>\$ 553,059,776</u>	<u>\$ 632,213,457</u>	<u>\$1,536,052,836</u>	<u>\$ 1,965,180,100</u>

* Balance for Land includes an \$82,879,763 restatement because of a calculation error in the Infrastructure Valuation Report.

** Balances have been reclassified to correct land that was included in infrastructure for \$162,272,340.

Long-term debt - At the end of the current fiscal year, the City of Bakersfield had a total bonded debt outstanding of \$21,833,738. The City of Bakersfield's total debt decreased by a net \$2,904,535 during the current fiscal year. The debt reductions were generally the result of normal debt maturities.

City of Bakersfield – Outstanding Debt

	Balance July 1, 2006	Incurred or Issued	Satisfied or Matured	Balance June 30, 2007
Governmental Activities				
Loans payable	\$ 4,571,000	\$ -	\$ 177,000	\$ 4,394,000
Other bonds payable	6,165,000		1,780,000	4,385,000
Total governmental activities	<u>\$ 10,736,000</u>	<u>\$ -</u>	<u>\$ 1,957,000</u>	<u>\$ 8,779,000</u>
Business-Type Activities				
General obligation bonds payable	\$ 1,055,000	\$ -	\$ 1,055,000	\$ -
Loans Payable	12,947,272	107,466	-	13,054,738
Total business-type activities	<u>\$ 14,002,272</u>	<u>\$ 107,466</u>	<u>\$ 1,055,000</u>	<u>\$ 13,054,738</u>

Certificates of Participation issued by the City and the Bakersfield Redevelopment Agency in 2006 carry a Reserve Fund Surety from Ambac with a "AAA" rating from Moody's and an underlying "A2" rating from Moody's. The Series B and C revenue bonds of the Public Financing Authority (issued in 1994) are not rated. All other rated bonds listed above are insured.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

More detailed information regarding capital asset and long term debt activity can be found in the related notes to the financial statements. See Note 6 page 59 for capital assets and Note 10 page 66 for long term debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget reflect an increase in resources of \$5,349,034 and an increase in appropriations of \$14,522,797. Significant budgetary amendments (changes) are summarized as follows:

- \$ 2,157,038 increase in resources from Intergovernmental revenue. This increase was due in part to additional grant awards in Police activities for traffic control and fighting gang activity. Also, additional grant revenue for Fire was added to the budget for the Metro Medical Response System (MMRS) and Fire suppression grants from Homeland Security and FEMA.
- \$ 2,536,336 increase in resources from Other Revenue. This change from the original budget was due to additional environmental impact reports (EIR's) required for large commercial developments that will be fully reimbursed by those developers when the studies are complete.
- \$ 7,122,000 increases allocated for Transfers Out to the Capital Outlay fund. The majority of this amount (\$6.9 million) was for the purchase and refurbishment of a 55,000 square foot office building to address space needs.
- \$ 3,874,592 in increases allocated to the Development Services department. This increase was almost entirely due to EIR's required for various large developments and related general plan amendments.
- \$ 1,294,087 in increases allocated to the Police department. This change was due primarily to an increase in booking fees paid to the County of Kern, an increase in traffic control activities related to a grant awarded by the State Office of Traffic Safety, and in increase in costs to fight gang activity related to a grant from the U.S. Department of Justice.

The increase in expenditures was budgeted from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

The final amended revenue estimate budget figures in the General Fund were lower than actual revenue by \$19,125,794 and appropriations were higher than actual expenditures by \$12,094,252. Significant differences between budget and actual amounts are as follows:

- \$ 21,541,799 variance in Tax revenue is due to higher than anticipated increases in property values and growth within the City. This positive variance was offset by an over-estimate in the anticipated share of Vehicle Licenses Fees from the State by over \$4 million. This revenue source is linked to the property tax allocation and the net variances between the two amount to a positive budget difference of over \$17 million.
- \$2,865,619 variance in Interest income is due to higher than anticipated rates of return on interest bearing deposits and the related increase in fair market values of those investments.
- \$ 2,304,578 variance in Police charges is due primarily to savings from personnel costs in the department because not all of the new positions budgeted were filled for a full fiscal year. In addition more officers retired during the year and those positions were, for the most part, left vacant creating more savings in salaries.
- \$ 3,616,745 variance in Development service charges is due primarily to budgeted consultant work for EIR's that were contracted for but not completed in the current year. Close to \$2 million in EIR's are in process but not completed. Also, Development services realized salary savings because of unfilled

CITY OF BAKERSFIELD

Management's Discussion and Analysis

positions left vacant due to a decrease in service caused by the slowdown in developments throughout the City.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key assumptions in the General-Fund revenue forecast for fiscal year 2007-08 were:

1. Property tax revenues will increase by 8.0 % due to a rise in assessed valuation and general growth.
2. Sales tax revenues will increase by 4.85 % as a result of anticipated growth in the retail base.
3. Transient Lodging Tax revenues will increase by 6.0 % as a result of increased tourism and convention activity.
4. Intergovernmental Vehicle In-Lieu fees will decrease by 30.1 % as a result of prior State actions shifting this revenue source to the category of Property Taxes.

New items specifically addressed in the 2007-08 budget include the following:

Public Works – Public works continues its overall goal of maintaining acceptable service levels with focus on Council priority items such as street maintenance and graffiti removal throughout the community. The proposed budget for street maintenance, both operating and CIP, has increased by over \$3.5 million. The total operating budget for the department has increased from fiscal year 2006-07 by 7.1%, totaling \$105,837,208.

Recreation and Parks – The Recreation and Parks Department has experienced continued growth in the amount of park and landscaping acreage that they maintain. To address this growth, to maintain the level of service and meet the growing recreational needs, the operating budget for the department has increased 9.6% over the 2006-07 fiscal year.

Domestic Water – The Domestic Water system has seen a 50% increase in usage over the past ten years. The current operating budget has increased by 12.4% from the 2006-07 fiscal year to meet these demands and maintain the level of service required. To cover the increase in costs there has been an approved increase in water rates for customers to begin in October 2007.

Wastewater – The Wastewater enterprise fund has a major expansion project currently under construction. Residential rates for the 2007-08 fiscal year were increased by 14.8% and Sewer Construction fees are in year 2 of a 5 year gradual rate increase. The funds generated by the rate increases will help offset the increased operating costs and be applied the debt service payments for the Plant 3 expansion.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information can be sent via e-mail to: finance@bakersfieldcity.us. Formal written requests should be addressed to: City of Bakersfield, Attn: Finance Department, 1501 Truxtun Avenue, Bakersfield, CA 93301.



Government-Wide Financial Statements

CITY OF BAKERSFIELD

**Statement of Net Assets
June 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Bakersfield Redevelopment Agency
Assets:				
Current assets:				
Cash and investments	\$ 223,612,452	\$ 92,421,038	\$ 316,033,490	\$ 10,220,708
Accounts receivable, net	4,147,216	5,520,339	9,667,555	
Interest receivable	2,221,003	1,299,837	3,520,840	100,063
Long-term receivable - current	139,722		139,722	1,245,000
Due from other governmental agencies	23,127,005	2,585,394	25,712,399	471,024
Internal balances	(1,585,309)	1,585,309	-	
Prepayments and inventories	1,316,071	5,425	1,321,496	
Total current assets	252,978,160	103,417,342	356,395,502	12,036,795
Noncurrent assets				
Capital assets:				
Land and water storage rights	404,362,555	34,640,958	439,003,513	
Land held for resale				6,106,150
Depreciable buildings, property, equipment and infrastructure, net	891,647,048	545,142,568	1,436,789,616	
Construction in progress	36,957,040	52,429,932	89,386,972	
Amortizable costs		57,997	57,997	
Note/loan receivable	7,181,761	11,016,994	18,198,755	34,415,000
Total noncurrent assets	1,340,148,404	643,288,449	1,983,436,853	40,521,150
Total assets	1,593,126,564	746,705,791	2,339,832,355	52,557,945
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	17,808,590	9,251,492	27,060,082	462,646
Kern River Levee District		349,264	349,264	
Customers' deposits		6,681,591	6,681,591	
Unearned revenue	5,043,418		5,043,418	
Deferred revenue		11,013,730	11,013,730	35,660,000
Noncurrent liabilities:				
Due within one year:				
Long-term debt	1,256,000	1,250,399	2,506,399	2,089,549
Claims and judgements payable	5,468,468		5,468,468	
Compensated absences payable	6,673,034	1,425,695	8,098,729	
Due in more than one year:				
Long-term debt	9,123,000	11,804,480	20,927,480	36,398,021
Claims and judgements payable	13,030,753		13,030,753	
Compensated absences payable	6,734,653	517,649	7,252,302	
Total liabilities	65,137,916	42,294,300	107,432,216	74,610,216
Net assets:				
Invested in capital assets, net of related debt	1,322,587,643	619,158,579	1,941,746,222	
Restricted:				
Current projects	298,110		298,110	
Capital improvements	84,136,096		84,136,096	
Debt services	44,145		44,145	12,255
Housing				4,039,029
Sanitation districts		8,357,453	8,357,453	
Unrestricted	120,922,654	76,895,459	197,818,113	(26,103,555)
Total net assets	\$ 1,527,988,648	\$ 704,411,491	\$ 2,232,400,139	\$ (22,052,271)

The accompanying notes are an integral part of these financial statements.



CITY OF BAKERSFIELD

**Statement of Activities
For the Fiscal Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General Government	\$ 22,376,302	\$ 4,262,137	\$ 1,063,959	\$ -
Public safety - Police	62,681,714	1,055,577	3,655,389	
Public safety - Fire	27,697,731	4,961,943	432,443	211,176
Public works	66,939,234	32,389,571	3,129,987	249,453,733
Community services	23,360,416	11,521,373		5,053,533
Development services	10,738,435	6,052,621	142,380	163,199
Economic/Community dev.	3,980,925	314,609	5,627,856	
Interest on long-term debt	595,412			
Total governmental activities	218,370,169	60,557,831	14,052,014	254,881,641
Business-type activities:				
Wastewater treatment	19,660,934	19,146,468	10,101,865	31,855,201
Refuse collection	34,546,899	36,415,700		205,427
Agricultural water	4,577,030	6,523,342		830,562
Domestic water	15,963,620	18,414,655	5,166,886	21,123,066
General aviation	268,707	142,520		10,000
Offstreet parking	174,531	98,640		
Total business-type activities	75,191,721	80,741,325	15,268,751	54,024,256
Total primary government	\$ 293,561,890	\$ 141,299,156	\$ 29,320,765	\$ 308,905,897
Component unit-				
Bakersfield Redevelopment Agency	\$ 2,773,731	\$ 1,713,990	\$ 58,617	\$ -

General Revenues:

- Taxes:
 - Property taxes
 - Sales and use tax
 - Other taxes
- Intergovernmental, unrestricted
- Unrestricted grants and contributions
- Investment earnings
- Miscellaneous
- Gain of sale of property
- Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning of year, as restated

Net assets - End of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Total	Governmental Activities	Business-Type Activities	Total	Bakersfield Redevelopment Agency
\$ 5,326,096	\$ (17,050,206)	\$ -	\$ (17,050,206)	\$ -
4,710,966	(57,970,748)		(57,970,748)	
5,605,562	(22,092,169)		(22,092,169)	
284,973,291	218,034,057		218,034,057	
16,574,906	(6,785,510)		(6,785,510)	
6,358,200	(4,380,235)		(4,380,235)	
5,942,465	1,961,540		1,961,540	
	(595,412)		(595,412)	
<u>329,491,486</u>	<u>111,121,317</u>	<u>-</u>	<u>111,121,317</u>	<u>-</u>
61,103,534		41,442,600	41,442,600	
36,621,127		2,074,228	2,074,228	
7,353,904		2,776,874	2,776,874	
44,704,607		28,740,987	28,740,987	
152,520		(116,187)	(116,187)	
98,640		(75,891)	(75,891)	
<u>150,034,332</u>	<u>-</u>	<u>74,842,611</u>	<u>74,842,611</u>	<u>-</u>
<u>\$ 479,525,818</u>	<u>111,121,317</u>	<u>74,842,611</u>	<u>185,963,928</u>	<u>-</u>
<u>\$ 1,772,607</u>				<u>(1,001,124)</u>
	62,324,076		62,324,076	6,374,606
	68,367,251		68,367,251	
	4,047,002		4,047,002	
	1,845,520		1,845,520	
	16,717,510		16,717,510	
	4,470,903	6,020,066	10,490,969	618,501
	13,128		13,128	1,572
	1,140,896		1,140,896	1,000,013
	3,095,700	(3,095,700)		
	<u>162,021,986</u>	<u>2,924,366</u>	<u>164,946,352</u>	<u>7,994,692</u>
	273,143,303	77,766,977	350,910,280	6,993,568
	<u>1,254,845,345</u>	<u>626,644,514</u>	<u>1,881,489,859</u>	<u>(29,045,839)</u>
<u>\$ 1,527,988,648</u>	<u>\$ 704,411,491</u>	<u>\$ 2,232,400,139</u>	<u>\$ 2,232,400,139</u>	<u>\$ (22,052,271)</u>



Governmental Fund Financial Statements

CITY OF BAKERSFIELD**Balance Sheet
Governmental Funds
June 30, 2007**

	General Fund	Transient Occupancy Taxes	Community Development Block Grant	Gas Tax & Road Fund
Assets:				
Cash and investments	\$ 42,373,031	\$ 1,039,105	\$ 4,295,815	\$ 134,201
Accounts receivable, net	2,013,168	974,776	175,285	22,031
Interest receivable	622,638	16,536	31,162	77,822
Due from other governmental agencies	11,806,398		764,550	10,326,043
Due from other funds	402,475			
Loans receivable			4,785,375	1,611,386
Prepaid items	6,240			
Total assets	<u>\$ 57,223,950</u>	<u>\$ 2,030,417</u>	<u>\$ 10,052,187</u>	<u>\$ 12,171,483</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,558,518	\$ 74	\$ 760,052	\$ 3,472,871
Due to federal	259,780			
Due to other funds				
Unearned revenue	1,399,957			3,493,000
Deferred revenue	3,056,076		4,924,477	22,031
Total liabilities	<u>7,274,331</u>	<u>74</u>	<u>5,684,529</u>	<u>6,987,902</u>
Fund Balances:				
Reserved for:				
Petty cash	22,545			
Encumbrances	2,933,414		6,147,987	16,584,985
Debt service				
Cash basis	11,159,944			
Facility replacement				
Unreserved:				
Designated for:				
Current projects	298,110			
Capital improvements				
Compensated Absences	5,928,547	50,721		83,472
Debt service - Public Financing Authority				
Undesignated, reported in:				
General fund	29,607,059			
Special revenue funds		1,979,622	(1,780,329)	(11,484,876)
Capital projects funds				
Total fund balances	<u>49,949,619</u>	<u>2,030,343</u>	<u>4,367,658</u>	<u>5,183,581</u>
Total liabilities and fund balances	<u>\$ 57,223,950</u>	<u>\$ 2,030,417</u>	<u>\$ 10,052,187</u>	<u>\$ 12,171,483</u>

The accompanying notes are an integral part of these financial statements.

Special Assessments Districts	Capital Outlay	Parks Development	Transportation Development	Other Governmental Funds	Total Governmental Funds
\$ 45,783,845	\$ 19,120,575 303,550 166,394	\$ 16,321,618 195,634	\$ 45,117,261 385,387 477,204 183,333	\$ 4,165,353 65,475 2,400	\$ 178,350,804 3,874,197 1,652,865 23,082,724 402,475 6,396,761 6,240
<u>\$ 45,783,845</u>	<u>\$ 19,590,519</u>	<u>\$ 16,517,252</u>	<u>\$ 46,163,185</u>	<u>\$ 4,233,228</u>	<u>\$ 213,766,066</u>
\$ -	\$ 959,607	\$ 7,271,099	\$ 765,438	\$ 75,765	\$ 15,863,424 259,780 402,475 5,043,418 8,552,584
<u>-</u>	<u>959,607</u>	<u>7,271,099</u>	<u>1,315,438</u>	<u>628,701</u>	<u>30,121,681</u>
	4,245,355	4,013	8,895,684	489,449 2,225,000	22,545 39,300,887 2,225,000 11,159,944 3,000,000
45,783,845	10,041,080		28,311,171	44,145	298,110 84,136,096 6,062,740 44,145
	1,344,477	9,242,140	7,640,892	470,742 375,191	29,607,059 (10,814,841) 18,602,700
<u>45,783,845</u>	<u>18,630,912</u>	<u>9,246,153</u>	<u>44,847,747</u>	<u>3,604,527</u>	<u>183,644,385</u>
<u>\$ 45,783,845</u>	<u>\$ 19,590,519</u>	<u>\$ 16,517,252</u>	<u>\$ 46,163,185</u>	<u>\$ 4,233,228</u>	<u>\$ 213,766,066</u>

CITY OF BAKERSFIELD

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2007**

Total Fund Balances - Total Governmental Funds \$ 183,644,385

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 Balance Sheet. Capital assets allocated from internal service funds are included in the internal service fund adjustment below.

Capital assets	1,741,401,061	
Ending accumulated depreciation	<u>(436,005,779)</u>	1,305,395,282

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (218,789)

Deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds. 8,599,048

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets. 53,658,792

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. Noncurrent liabilities allocated from internal service funds are included in the internal service fund adjustment above.

Bonds payable	(4,385,000)	
Notes/Contracts/Loans payable	(5,994,000)	
Compensated Absences payable	<u>(12,711,070)</u>	<u>(23,090,070)</u>

Net Assets of Governmental Activities \$ 1,527,988,648

The accompanying notes are an integral part of these financial statements.



CITY OF BAKERSFIELD**Statement of Revenues, Expenditures and Changes in Fund Balances****Governmental Funds****For the Fiscal Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Transient Occupancy Taxes</u>	<u>Community Development Block Grant</u>	<u>Gas Tax & Road Fund</u>
Revenues:				
Taxes	\$ 143,113,199	\$ 7,954,228	\$ -	\$ -
Licenses and permits	3,029,719			
Intergovernmental	5,322,070		4,689,402	24,974,382
Charges for services	19,085,889	6,680,152	882	45,600
Fines, forfeitures and assessments	943,627			41,438
Interest income	2,965,619	95,592	184,904	240,146
Loan payments			798,989	
Contributions and donations	25,152	1,200,000		
Other	1,477,953		17,312	66,130
Total revenues	<u>175,963,228</u>	<u>15,929,972</u>	<u>5,691,489</u>	<u>25,367,696</u>
Expenditures:				
Current:				
General government	10,600,373			
Police	64,221,085			
Fire	30,349,754			
Public works	20,220,550			4,224,195
Community services	15,048,254	6,973,002		
Development services	10,787,216			
Economic/Community development	674,619		3,264,799	
Non departmental	5,990,818	3,865,843		
Capital outlay			1,837,611	23,201,212
Debt service:				
Principal retirement				
Interest and fiscal charges				
Total expenditures	<u>157,892,669</u>	<u>10,838,845</u>	<u>5,102,410</u>	<u>27,425,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,070,559</u>	<u>5,091,127</u>	<u>589,079</u>	<u>(2,057,711)</u>
Other financing sources (uses):				
Notes/certificate proceeds			1,600,000	
Transfers in	2,250,000			
Transfers out	(20,332,170)	(4,070,000)	(396,378)	(42,777)
Total other financing sources (uses)	<u>(18,082,170)</u>	<u>(4,070,000)</u>	<u>1,203,622</u>	<u>(42,777)</u>
Net change in fund balances	(11,611)	1,021,127	1,792,701	(2,100,488)
Fund balances - beginning	<u>49,961,230</u>	<u>1,009,216</u>	<u>2,574,957</u>	<u>7,284,069</u>
Fund balances - ending	<u>\$ 49,949,619</u>	<u>\$ 2,030,343</u>	<u>\$ 4,367,658</u>	<u>\$ 5,183,581</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Assessments Districts</u>	<u>Capital Outlay</u>	<u>Parks Development</u>	<u>Transportation Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,067,427
	427,982		552,590	808,071	3,029,719
	15,251		254,299	2,217,480	36,774,497
5,016,483		4,994,926	18,228,263	1,226,047	28,299,553
2,544,295	595,095	482,976	1,976,808	228,040	30,450,784
	12,000	5,000			9,313,475
		171	1,079,930		798,989
					1,242,152
					2,641,496
<u>7,560,778</u>	<u>1,050,328</u>	<u>5,483,073</u>	<u>22,091,890</u>	<u>4,479,638</u>	<u>263,618,092</u>
70,949			132,675	3,973	10,807,970
				714,928	64,936,013
		2,865	981,497	205,543	30,349,754
				26,339	25,634,650
					22,047,595
					10,787,216
					3,939,418
769,928		957,974			11,584,563
14,907,307	21,450,688	768,248	13,181,419	96,975	75,443,460
				1,957,000	1,957,000
				598,067	598,067
<u>15,748,184</u>	<u>21,450,688</u>	<u>1,729,087</u>	<u>14,295,591</u>	<u>3,602,825</u>	<u>258,085,706</u>
<u>(8,187,406)</u>	<u>(20,400,360)</u>	<u>3,753,986</u>	<u>7,796,299</u>	<u>876,813</u>	<u>5,532,386</u>
	24,050,000		8,635,615	2,406,378	1,600,000
	(3,000,000)		(8,635,615)	(2,910,000)	37,341,993
					(39,386,940)
	21,050,000	-	-	(503,622)	(444,947)
<u>(8,187,406)</u>	<u>649,640</u>	<u>3,753,986</u>	<u>7,796,299</u>	<u>373,191</u>	<u>5,087,439</u>
<u>53,971,251</u>	<u>17,981,272</u>	<u>5,492,167</u>	<u>37,051,448</u>	<u>3,231,336</u>	<u>178,556,946</u>
<u>\$ 45,783,845</u>	<u>\$ 18,630,912</u>	<u>\$ 9,246,153</u>	<u>\$ 44,847,747</u>	<u>\$ 3,604,527</u>	<u>\$ 183,644,385</u>

CITY OF BAKERSFIELD

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 5,087,439

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 282,447,553

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (22,869,201)

Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds. (512,483)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Principal retirements	1,957,000	
New debt	<u>(1,600,000)</u>	357,000

Earned deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in governmental funds. Revenue in the statement of activities is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in revenues - unavailable revenues at the end of the year exceed beginning unavailable revenues by this amount. 354,389

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year. 2,655

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds are reported with Governmental Activities. 8,275,951

Change in Net Assets of Governmental Activities \$ 273,143,303

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Financial Statements

These funds account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of net income appropriate for accountability purpose.

Wastewater Treatment Fund is used to account for the provision of sewer service to the residents of the City and some residents of the County. This fund also accounts for the activities related to the debt issuance which provided for the Wastewater Treatment Facilities.

Refuse Collection Fund is used to account for the collection and disposal of refuse within the City. All activities necessary to provide such services are accounted for in this fund.

Agricultural Water Fund is used to account for the provision of water service restricted primarily to agricultural purposes to users within the City and some users within the County (some Kern River water is exchanged for State Aqueduct water for domestic water purposes). All activities necessary to provide such services are accounted for in this fund.

Domestic Water Fund is used to account for the provision of water service to some residents of the City and County. All activities necessary to provide such service are accounted for in this fund.

General Aviation Fund is used to account for the acquisition and operation of the Bakersfield Airpark. The majority of acquisition and improvement financing for the airport facility was provided by a grant from the Federal Aviation Administration.

Offstreet Parking Fund is used to account for the operations of the parking garage at 18th and Eye Streets and various off street surface parking lots within the City. Parking garage was financed by the Redevelopment Agency and the related debt was retired in August 1994, and subsequently, the title was transferred to the City.

Internal Service Funds are used to provide goods and services by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

CITY OF BAKERSFIELD**Statement of Net Assets****Proprietary Funds****June 30, 2007**

	Wastewater Treatment	Refuse Collection	Agricultural Water
Assets:			
Current assets:			
Cash and investments	\$ 56,337,002	\$ 13,391,615	\$ 2,405,924
Accounts receivable, net	1,523,184	825,265	1,409,850
Interest receivable	858,134	184,271	43,829
Loans			
Due from other governmental agencies	776,012	1,807,035	2,347
Prepayments and inventories			
Total current assets	<u>59,494,332</u>	<u>16,208,186</u>	<u>3,861,950</u>
Noncurrent assets:			
Capital assets:			
Land and water storage rights	10,427,782		10,315,406
Depreciable buildings, property, equipment and infrastructure, net	367,468,521		10,730,404
Construction in progress	47,429,129		26,504
Amortizable costs			
Advance to other funds	1,000,000		
Note/loan receivable			
Other long term receivable	<u>7,086,854</u>		<u>52,275</u>
Total noncurrent assets	<u>433,412,286</u>	<u>-</u>	<u>21,124,589</u>
Total assets	<u>492,906,618</u>	<u>16,208,186</u>	<u>24,986,539</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	5,030,874	2,314,078	206,944
Claims payable			
Workers compensation claims			
Compensated absences payable	480,056	605,881	243,216
Long-term debt - due within one year	<u>752,126</u>		
Total current liabilities	<u>6,263,056</u>	<u>2,919,959</u>	<u>450,160</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year	9,777,640		
Kern River Levee District/Buena Vista			349,264
Customers' deposits	2,249,846	264,843	88,007
Advance from other funds			1,000,000
Workers compensation claims			
Compensated absences payable	153,523	284,569	41,997
Deferred revenue	<u>7,086,854</u>	<u>49,011</u>	
Total noncurrent liabilities	<u>19,267,863</u>	<u>598,423</u>	<u>1,479,268</u>
Total liabilities	<u>25,530,919</u>	<u>3,518,382</u>	<u>1,929,428</u>
Net assets:			
Invested in capital assets, net of related debt	414,795,666	-	21,072,314
Restricted	3,317,261	5,040,192	
Unrestricted	<u>49,262,772</u>	<u>7,649,612</u>	<u>1,984,797</u>
Total net assets	<u>\$ 467,375,699</u>	<u>\$ 12,689,804</u>	<u>\$ 23,057,111</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

The accompanying notes are an integral part of these financial statements.

<u>Domestic Water</u>	<u>General Aviation</u>	<u>Offstreet Parking</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 19,717,938	\$ 470,366	\$ 98,193	\$ 92,421,038	\$ 45,261,648
1,757,809	183	4,048	5,520,339	273,019
206,081	6,156	1,366	1,299,837	568,138
			-	139,722
			2,585,394	44,281
	5,425		5,425	1,309,831
<u>21,681,828</u>	<u>482,130</u>	<u>103,607</u>	<u>101,832,033</u>	<u>47,596,639</u>
547,102	7,464,254	5,886,414	34,640,958	
163,733,025	2,030,618	1,180,000	545,142,568	27,571,361
4,882,615		91,684	52,429,932	
57,997			57,997	
			1,000,000	
			-	785,000
3,877,865			11,016,994	
<u>173,098,604</u>	<u>9,494,872</u>	<u>7,158,098</u>	<u>644,288,449</u>	<u>28,356,361</u>
<u>194,780,432</u>	<u>9,977,002</u>	<u>7,261,705</u>	<u>746,120,482</u>	<u>75,953,000</u>
1,691,732	6,065	1,799	9,251,492	1,466,597
			-	1,944,600
			-	3,523,868
96,542			1,425,695	610,294
498,273			1,250,399	
<u>2,286,547</u>	<u>6,065</u>	<u>1,799</u>	<u>11,927,586</u>	<u>7,545,359</u>
2,026,840			11,804,480	
			349,264	
4,077,745	1,150		6,681,591	
			1,000,000	
			-	13,030,753
20,457	17,103		517,649	86,323
3,877,865			11,013,730	46,464
<u>10,002,907</u>	<u>18,253</u>	<u>-</u>	<u>31,366,714</u>	<u>13,163,540</u>
<u>12,289,454</u>	<u>24,318</u>	<u>1,799</u>	<u>43,294,300</u>	<u>20,708,899</u>
166,637,629	9,494,872	7,158,098	619,158,579	27,571,361
			8,357,453	
15,853,349	457,812	101,808	75,310,150	27,672,740
<u>\$ 182,490,978</u>	<u>\$ 9,952,684</u>	<u>\$ 7,259,906</u>	<u>702,826,182</u>	<u>\$ 55,244,101</u>
			1,585,309	
			<u>\$ 704,411,491</u>	

CITY OF BAKERSFIELD**Statement of Revenues, Expenses and Changes in Fund Net Assets****Proprietary Funds****For the Fiscal Year Ended June 30, 2007**

	Wastewater Treatment	Refuse Collection	Agricultural Water
Operating revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	18,753,095	34,371,674	3,337,085
Cost recoveries	20,306	2,008,426	281,710
Rental income	364,398		61,893
Other sales or services		27,768	2,842,654
Miscellaneous	8,669	7,832	
Total operating revenues	<u>19,146,468</u>	<u>36,415,700</u>	<u>6,523,342</u>
Operating expenses:			
General and administrative	10,728,240	34,084,472	4,002,206
Transmission and distribution	15,416	1,326,161	61,518
Workers' compensation payments			
Claims paid			
Depreciation and amortization	9,134,645		804,189
Compensated absences		89,714	11,631
Total operating expenses	<u>19,878,301</u>	<u>35,500,347</u>	<u>4,879,544</u>
Operating income (loss)	<u>(731,833)</u>	<u>915,353</u>	<u>1,643,798</u>
Nonoperating revenues (expenses):			
Interest income	4,133,822	916,389	138,840
Federal/State grants		175,716	
Connection fees	10,101,865		
Interest expense	(150,429)		(95,207)
County/developer project share	500,000		
Gain/loss on sale of real property	55,550	17,302	
Total nonoperating revenues	<u>14,640,808</u>	<u>1,109,407</u>	<u>43,633</u>
Income (loss) before transfers and capital contributions	13,908,975	2,024,760	1,687,431
Capital contributions	31,299,651	12,409	830,562
Transfers in			13,848
Transfers out	(532,000)	(2,233,400)	(215,000)
Change in net assets	44,676,626	(196,231)	2,316,841
Total Net Assets - Beginning of Year	<u>422,699,073</u>	<u>12,886,035</u>	<u>20,740,270</u>
Total Net Assets - End of Year	<u>\$ 467,375,699</u>	<u>\$ 12,689,804</u>	<u>\$ 23,057,111</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

The accompanying notes are an integral part of these financial statements.

Domestic Water	General Aviation	Offstreet Parking	Totals	Governmental Activities Internal Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 23,748
16,716,360	138,876 3,644	98,640	73,415,730 2,314,086 426,291 4,568,494 16,724	29,488,162 667,371
1,698,072 223				38,898
<u>18,414,655</u>	<u>142,520</u>	<u>98,640</u>	<u>80,741,325</u>	<u>30,218,179</u>
12,154,943 214,437	135,869 557	104,531	61,210,261 1,618,089	21,671,901
3,475,488 23,697	132,281	70,000	- - 13,616,603 125,042	1,173,994 1,057,717 5,114,973 1,187
<u>15,868,565</u>	<u>268,707</u>	<u>174,531</u>	<u>76,569,995</u>	<u>29,019,772</u>
<u>2,546,090</u>	<u>(126,187)</u>	<u>(75,891)</u>	<u>4,171,330</u>	<u>1,198,407</u>
800,426 3,155 5,166,886 (95,055)	23,965 10,000	6,624	6,020,066 188,871 15,268,751 (340,691) 500,000 82,657	2,321,473
<u>9,805</u>				<u>174,917</u>
<u>5,885,217</u>	<u>33,965</u>	<u>6,624</u>	<u>21,719,654</u>	<u>2,496,390</u>
8,431,307	(92,222)	(69,267)	25,890,984	3,694,797
21,110,106			53,252,728 13,848 (3,109,548)	1,159,473 5,140,647
<u>(129,148)</u>				
29,412,265	(92,222)	(69,267)	76,048,012	9,994,917
<u>153,078,713</u>	<u>10,044,906</u>	<u>7,329,173</u>	<u>-</u>	<u>45,249,184</u>
<u>\$ 182,490,978</u>	<u>\$ 9,952,684</u>	<u>\$ 7,259,906</u>		<u>\$ 55,244,101</u>
			<u>1,718,965</u>	
			<u>\$ 77,766,977</u>	

CITY OF BAKERSFIELD

Statement of Cash Flows (continued)**Proprietary Funds****For the Fiscal Year Ended June 30, 2007**

	<u>Wastewater Treatment</u>	<u>Refuse Collection</u>	<u>Agricultural Water</u>
Cash flows from operating activities:			
Cash received from:			
Customers, including cash deposits	\$ 18,224,816	\$ 36,019,241	\$ 6,336,918
Prior year reimbursements and cost recoveries	20,306		
Cash paid to:			
Suppliers	(1,770,804)	(25,942,818)	(2,420,027)
Employees	(4,724,050)	(9,137,862)	(1,618,503)
Cash deposits returned to customers			
Net cash provided (used) by operating activities	<u>11,750,268</u>	<u>938,561</u>	<u>2,298,388</u>
Cash flows from noncapital financing activities:			
Cash received from federal and state grants		175,716	
Cash transferred from other funds			13,848
Cash transferred to other funds	(532,000)	(2,233,400)	(215,000)
Contributions		12,409	
Connection fees	10,101,865		
Developer share/project	500,000		
Net cash provided (used) by noncapital financing activities	<u>10,069,865</u>	<u>(2,045,275)</u>	<u>(201,152)</u>
Cash flows from capital and related financing activities:			
Principal payments:			
Bonds			(263,750)
Notes/Loans	(752,126)		
Principal repayment on interfund loan	1,000,000		(1,000,000)
Interest paid	(150,429)		(95,207)
Purchase of capital assets			(62,504)
Proceeds from sale of capital assets	55,549	17,302	
Construction	(35,075,873)		
Net cash provided (used) by capital and related financing activities	<u>(34,922,879)</u>	<u>17,302</u>	<u>(1,421,461)</u>
Cash flows from investing activities:			
Decrease in long term receivable			
Loan to Redevelopment Agency			
Interest received	3,360,446	757,119	102,451
Net increase (decrease) in the fair value of investments	619,260	120,075	
Net cash provided (used) by investing activities	<u>3,979,706</u>	<u>877,194</u>	<u>102,451</u>
Net increase (decrease) in cash	(9,123,040)	(212,218)	778,226
Cash and cash equivalents - Beginning of year	<u>65,460,042</u>	<u>13,603,833</u>	<u>1,627,698</u>
Cash and cash equivalents - End of year	<u>\$ 56,337,002</u>	<u>\$ 13,391,615</u>	<u>\$ 2,405,924</u>

The accompanying notes are an integral part of these financial statements.

<u>Domestic Water</u>	<u>General Aviation</u>	<u>Offstreet Parking</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 18,433,375 (700)	\$ 138,868 3,644	\$ 94,592	\$ 79,247,810 23,250	\$ 30,743,148 (666,036)
(11,204,439) (403,640) (461,596)	(77,734) (53,177)	(163,059)	(41,578,881) (15,937,232) (461,596)	(18,031,847) (5,342,540)
<u>6,363,000</u>	<u>11,601</u>	<u>(68,467)</u>	<u>21,293,351</u>	<u>6,702,725</u>
3,155 (129,148)	10,000		188,871 (115,300) (2,980,400) 12,409	5,140,647
5,166,886			15,268,751 500,000	
<u>5,040,893</u>	<u>10,000</u>	<u>-</u>	<u>12,874,331</u>	<u>5,140,647</u>
(791,250) (484,782)			(1,055,000) (1,236,908)	
(98,359) 9,805		(15,816)	(343,995) (68,515) 72,851	(11,552,233) 256,183
<u>(3,172,193)</u>			<u>(38,248,066)</u>	
<u>(4,536,779)</u>	<u>-</u>	<u>(15,816)</u>	<u>(40,879,633)</u>	<u>(11,296,050)</u>
			-	139,722
622,664 90,566	19,607 2,345	5,610 1,920	4,867,897 834,166	1,140,000 1,812,737 349,705
<u>713,230</u>	<u>21,952</u>	<u>7,530</u>	<u>5,702,063</u>	<u>3,442,164</u>
7,580,344	43,553	(76,753)	(1,009,888)	3,989,486
<u>12,137,594</u>	<u>426,813</u>	<u>174,946</u>	<u>93,430,926</u>	<u>41,272,162</u>
<u>\$ 19,717,938</u>	<u>\$ 470,366</u>	<u>\$ 98,193</u>	<u>\$ 92,421,038</u>	<u>\$ 45,261,648</u>

CITY OF BAKERSFIELD

Statement of Cash Flows (concluded)**Proprietary Funds****For the Fiscal Year Ended June 30, 2007**

	<u>Wastewater Treatment</u>	<u>Refuse Collection</u>	<u>Agricultural Water</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (731,833)	\$ 915,353	\$ 1,643,798
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	9,134,646		804,189
Amortization expense			
(Increase) decrease in accounts receivable	(714,628)	(396,459)	(324,977)
Decrease in inventories			
(Increase) decrease in prepaid items			
Increase (decrease) in accounts payable	4,202,528	365,274	25,194
Increase in workers compensation claims			
Increase (decrease) in deferred revenue		(1,764)	
Increase (decrease) in customers' deposits	(186,700)		50,545
Increase (decrease) in developer advances			88,008
Increase (decrease) in compensated absences	46,255	56,157	11,631
Increase in meter deposits			
Net cash provided (used) by operating activities	<u>\$ 11,750,268</u>	<u>\$ 938,561</u>	<u>\$ 2,298,388</u>

Noncash investing, capital, and financing activities:

Contribution of equipment from other departments

The accompanying notes are an integral part of these financial statements.

<u>Domestic Water</u>	<u>General Aviation</u>	<u>Offstreet Parking</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 2,546,090	\$ (126,187)	\$ (75,891)	\$ 4,171,330	\$ 1,198,407
3,465,821	132,281	70,000	13,606,937	5,114,973
9,667			9,667	
(429,716)	(8)	(4,048)	(1,869,836)	(125,427)
	(5,425)		(5,425)	(124,471)
761,301	5,949	(58,528)	5,301,718	(13,000)
			-	804,820
			(1,764)	(168,833)
(5,742)			(141,897)	(3,860)
23,697	4,991		88,008	-
(8,118)			142,731	20,116
<u>\$ 6,363,000</u>	<u>\$ 11,601</u>	<u>\$ (68,467)</u>	<u>\$ 21,293,351</u>	<u>\$ 6,702,725</u>

\$ 1,959,744



Fiduciary Fund Financial Statements

These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Fire Relief and Pension Fund is used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for Fire Department personnel who retired prior to June 26, 1972.

Special Deposits Fund is used to account for the collection by the City as agent for organizations operated under the auspices of the Recreation Division, security deposits for utility franchises, temporary deposits for construction permits and bid deposits. This fund is also used for the collection of police seized property, local Law Enforcement Block Grants, Habitat Conservation and other revenues held in trust pending disposition of contingencies.

Improvement Districts Fund is used to account for the collection of liens for improvements benefiting private properties and payments to the holders of bonds issued pursuant to the Improvement Act of 1913 and the Improvement Bond Act of 1915. The City is in no way liable for the payment of bonded indebtedness, but the City serves as agent to collect the principal and interest installments from the owners of the benefited property. A trustee administers the periodic payment to the bondholders.

Other Post-Employment Benefits (OPEB) Irrevocable Trust Fund is used to account for the City's postretirement medical benefit plan. The City provides medical insurance coverage through contributions to eligible retiree's insurance premium.

CITY OF BAKERSFIELD

Statement of Fiduciary Net Assets**Fiduciary Funds****June 30, 2007**

	Trust Funds	OPEB Irrevocable Trust	Fire Relief and Pension Trust	Agency Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and investments	\$ 42,800,626	\$ 4,853,695	\$ 616,379	\$ 9,007,771
Retirement system investments-				
Federal agency coupons			1,000,000	
Interest receivable	396,412		23,481	56,198
Due from other governmental agencies	42,726			102,492
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	43,239,764	4,853,695	1,639,860	9,166,461
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities -				
Payables:				
Payroll	2,797,428			
Deposits	40,442,336			2,310,522
Accrued bond interest				2,290,939
Bonds				4,565,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	43,239,764	-	-	9,166,461
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Assets -				
Held in trust for pension and postemployment healthcare benefits	\$ -	\$ 4,853,695	\$ 1,639,860	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

CITY OF BAKERSFIELD

Statement of Changes in Fiduciary Net Assets**Fiduciary Funds****For the Fiscal Year Ended June 30, 2007**

	<u>OPEB Irrevocable Trust</u>	<u>Fire Relief and Pension Trust</u>
Additions -		
Investment income:		
Investments	\$ 4,800,000	\$ -
Interest income	53,695	88,907
Net depreciation in the fair value of investments		1,870
	<u>4,853,695</u>	<u>90,777</u>
Total additions	<u>4,853,695</u>	<u>90,777</u>
Deductions -		
Benefits		159,535
	<u>-</u>	<u>159,535</u>
Total deductions	<u>-</u>	<u>159,535</u>
Change in net assets	4,853,695	(68,758)
Beginning of year	<u>-</u>	<u>1,708,618</u>
End of year	<u>\$ 4,853,695</u>	<u>\$ 1,639,860</u>



CITY OF BAKERSFIELD

Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Bakersfield (the “City”) have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following summary of the City’s more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A. Description of Reporting Entity

The City of Bakersfield, California is a California Charter City, incorporated on January 11, 1898, and serves as the county seat of the County of Kern, California. The City is a full-service city and operates under a Council - Manager form of government, providing the following services as authorized by its Charter: General government; public safety; public works; and development and conservation.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the primary government. Each blended and discretely presented component unit has a June 30 year-end.

Discretely Presented Component Unit

The Bakersfield Redevelopment Agency (Agency) is responsible for the development and financing of projects within the Southeast Bakersfield Redevelopment Project Area, the Old Town Kern - Pioneer Redevelopment Project Area, and the Downtown Bakersfield Redevelopment Project Area. The Agency is governed by a board comprised of members appointed by the City Council. However, the City is financially accountable for the Agency because the City Council approves the Agency’s budget and any debt issuances. The Agency is reported discretely in the government-wide financial statements as a component unit.

Blended Component Unit

The Bakersfield Public Financing Authority (the Authority) is a joint exercise of powers authority formed on July 7, 1993 by and between the City of Bakersfield, California (the City) and the Bakersfield Redevelopment Agency of the City of Bakersfield (the Agency). The Authority was created to assist the City, the Agency and other local public agencies in financing and refinancing, through the issuance of bonds or other instruments of indebtedness, public capital improvements and working capital pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The Authority is authorized to make and enter into Bond Purchase Agreements and to purchase Obligations of any local public agency.

The Authority is governed by a board consisting of the Mayor and the City Council. The Authority is reported as a Governmental Fund Type.

Complete financial statements for each of the individual component units may be obtained at the City's Finance Department at 1501 Truxtun Avenue.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

B. Basis of Presentation*Government-wide Financial Statements*

The Government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting on internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City and between the City and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements

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

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. *Operating* expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation of capital assets. All expenses not meeting this definition are reported as *nonoperating* expenses.

The City reports the following major governmental funds:

General Fund - The General Fund is the principal operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. For the City, the general fund includes basic governmental activities such as general government, public safety, public works and community services.

Transient Occupancy Tax Fund - The Transient Occupancy Tax Fund is used to account for transient occupancy tax revenues (hotel tax) and expenditures funded by this revenue source. The Rabobank Arena and Convention

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Center and the Bakersfield Ice Sports Center operating revenues and expenses are recorded in this fund.

Community Development Block Grant Fund – Community Block Grant Fund is used to account for resources provided by the Federal Housing and Community Development Act of 1974 for the elimination of slums and blight, housing conservation and improvements of community services.

Gas Tax & Road Fund - The Gas Tax & Road Fund is used to account for the City’s share, based upon population, of state gasoline taxes. State law requires these gasoline taxes to be used to maintain streets or for major street construction. This fund also accounts for other State and Federal grant revenues related to street maintenance or construction.

Special Assessment Districts Fund - The Special Assessment Districts Fund is used to account for the construction phase of capital improvements where the City’s role is limited to acting only as agent for the assessed property owners and the bondholders. Assessment Districts are formed in accordance with the Municipal Improvement Act of 1913, being Division 12 of the California Streets and Highways Code (the “1913 Act”). The Bonds are issued pursuant to the Improvement Bond Act of 1915, being Division 10 of the Streets and Highways Code (the “1915 Act”), and Section 13.08.070 of the Municipal Code of the City. The payments by property owners and the debt service are accounted for in an Agency fund.

Capital Outlay Fund - The Capital Outlay Fund is used to account for the cost of capital projects financed by general revenues and grant/loan proceeds for recreational facilities.

Parks Development Fund – The Parks Development Fund is used to account for funds collected for residential park development (Ordinance No. 3646). Fees are collected based on the development’s share of the cost to develop, improve, construct or enhance a neighborhood park (Ordinance No. 3327).

Transportation Development Fund - The Transportation Development Fund is used to account for funds collected from fees paid to mitigate the traffic impacts to the regional circulation system caused by a development project. The fees are paid when a building permit for the development project is obtained, and are based upon the amount of traffic the development will generate. The fee schedule was adopted with Ordinance No. 3513 and will be periodically evaluated by the City Council and revised to reflect updated costs and growth projections.

The City reports the following major enterprise funds:

Wastewater Treatment Fund - The Wastewater Treatment Fund is used to account for the provision of sewer service to the residents of the City and some residents of the County. This fund also accounts for the activities related to the debt issuance, which provided for the Wastewater Treatment Facilities.

Refuse Collection Fund - The Refuse Collection Fund is used to account for the collection and disposal of refuse within the City. All activities necessary to provide such services are accounted for in this fund.

Agricultural Water Fund - The Agricultural Water Fund is used to account for the provision of water service restricted primarily to agricultural purposes to users within the City and some users within the County (some Kern River water is exchanged for State Aqueduct water for domestic water purposes). All activities necessary to provide such services are accounted for in this fund.

Domestic Water Fund - The Domestic Water Fund is used to account for the provision of water service to some residents of the City and County. All activities necessary to provide such service are accounted for in this fund.

General Aviation Fund - The General Aviation Fund is used to account for the acquisition and operation of the

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Bakersfield Airpark. The majority of acquisition and improvement financing for the airport facility was provided by a grant from the Federal Aviation Administration.

Offstreet Parking Fund - The Offstreet Parking Fund is used to account for the operations of the parking garage at 18th and Eye Streets and various Offstreet surface parking lots within the City. The Parking garage was financed by the Redevelopment Agency and the related debt was retired on August 1994, and subsequently, the title was transferred to the City.

The City reports the following additional fund types:

Internal Service Funds - The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis. The City accounts for its self insurance and equipment management activities as internal service funds.

Pension Trust Fund - The Pension Trust Fund (Fire Relief and Pension Fund) is used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for Fire Department personnel who retired prior to June 26, 1972.

Other Post-Employment Benefits Irrevocable Trust Fund – The Other Post-Employment Benefit (OPEB) Irrevocable Trust Fund is used to account for the City’s postretirement medical benefit plan. The City provides medical insurance coverage through contributions to eligible retiree’s insurance premium.

Agency Funds - The Agency Funds account for assets held by the city as an agent for various local governments or other entities. Special Deposits Fund is used to account for the collection by the City as agent for organizations operated under the auspices of the Recreation Division, security deposits for utility franchises, temporary deposits for construction permits and bid deposits. This fund is also used for the collection of police seized property, local Law Enforcement Block Grants, Habitat Conservation and other revenues held in trust pending disposition of contingencies. Assessment District Fund is used to account for the collection of liens for improvements benefiting private properties and payments to the holders of bonds issued pursuant to the Improvement Act of 1913 and the Improvement Bond Act of 1915. The city is in no way liable for the payment of bonded indebtedness, but the City serves as agent to collect the principal and interest installments from the owners of the benefited property. A trustee provides the periodic payment to the bondholders.

C. Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

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. Revenues and expenses not meeting this definition are reported as nonoperating.

D. Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items**Cash and Investments**

Cash balances of each of the City's funds and the Discretely Presented Component Unit, except for certain Trust and Agency Funds, are pooled and invested by the City. Income earned from pooled investments is allocated to each of the funds based on average pooled cash balances during the year. Deficit cash balances are classified as due to other funds and funded by the General Fund or related operating fund.

The City applies Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement generally requires that investments be reported at their fair value and that all changes in fair value be reflected in income of the period in which they occur.

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State Treasurer's investment pool. The City's Pension Trust Fund is also authorized to invest in corporate bonds rated A or better by a national rating system generally recognized and used by banks and investment brokers in the United States.

Investments are comprised of obligations of the U.S. Treasury, agencies and instrumentalities, cash, time certificates of deposit, mutual funds, bankers' acceptances, money market accounts and deposits in the State of California Local Agency Investment Fund (LAIF), and are stated at fair value. The fair value of the City's position in LAIF approximates the value of the pool shares.

The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by Statute. The Chairman is the State Treasurer, or his designated representative. Two members qualified by training and experience in the field of investment of finance, and two members who are Treasurer's, finance or fiscal officers or business managers employed by any County, City or local district or municipal corporation of this state, are appointed by the State Treasurer. The term of each appointment is two years, or at the pleasure of the appointing authority.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government wide financial statement as “internal balances.” 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 available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectible accounts.

Inventory and Prepaid Items

Inventory is valued at average cost applied on a first-in, first-out (FIFO) basis. The reserve for prepaid relates to certain payments to vendors for costs applicable to future accounting periods.

Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City’s capitalization threshold are met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	10 to 50 years
Buildings, structures and improvements	5 to 40 years
Water storage rights	40 years
Transmission and distribution equipment	5 to 50 years
Rolling equipment	2 to 30 years
Office equipment	3 to 10 years

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A designation of fund balance for all accrued vacation and a portion of accrued sick leave amounts are reported in governmental funds for current employees that are eligible for retirement.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Equity

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *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 these assets reduce the balance in 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 or enabling legislation.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

- *Unrestricted Net Assets* - This category represents net assets of the City, not restricted for any project or other purpose.

As of June 30, 2007, net assets are as follows:

	Primary Government			Discretely Presented Component Unit	Total Reporting Entity
	Governmental Activities	Business-Type Activities	Total		
Invested in capital assets, net of related debt	\$ 1,322,587,643	\$ 619,158,579	\$ 1,941,746,222	\$ -	\$ 1,941,746,222
Restricted	84,478,351	8,357,453	92,835,804	4,051,284	96,887,088
Unrestricted	120,922,654	76,895,459	197,818,113	(26,103,555)	171,714,558
Total net assets	\$ 1,527,988,648	\$ 704,411,491	\$ 2,232,400,139	\$ (22,052,271)	\$ 2,210,347,868

In the fund financial statements, reserves and designations segregate portions of fund balances that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

Reserved fund balances for June 30, 2007 are as follows:

	General Fund	Community						Trust and Agency Funds	Total
		Development Block Grant Fund	Gas Tax & Road Fund	Capital Outlay Fund	Parks Development Fund	Transportation Development Fund	Non-major Governmental Funds		
Petty cash	\$ 22,545	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,545
Encumbrances	2,933,414	6,147,987	16,584,985	4,245,355	4,013	8,895,684	489,449		39,300,887
Debt services							2,225,000		2,225,000
Cash basis	11,159,944								11,159,944
Facility replacement				3,000,000					3,000,000
Pension/OPEB								6,493,555	6,493,555
	\$ 14,115,903	\$ 6,147,987	\$ 16,584,985	\$ 7,245,355	\$ 4,013	\$ 8,895,684	\$ 2,714,449	\$ 6,493,555	\$ 62,201,931

Petty cash reserve

The City maintains a petty cash fund - \$22,545 at June 30, 2007 - to facilitate the processing of small transactions. The balance of petty cash is equally offset by a reservation of fund balance to indicate that the petty cash balance does not constitute an "available spendable resource" even though it is a component of total assets.

Reserve for encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded as encumbrances in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at June 30, 2007 - \$39,300,887 - are reported as reservations of fund balances since these resources are not available for appropriation for expenditure in subsequent periods.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Cash basis reserve

The City budget provides for a cash basis reserve - \$11,159,944 at June 30, 2007 - in order to finance operations between July 1 and the date of receipt of the first installment of property taxes. The cash basis reserve also provides short-term interfund loans for funds on a reimbursable basis.

Designations of unreserved fund balance

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for current projects or capital projects. Such plans are subject to change at the City's discretion and may not ultimately result in expenditures for the purposes indicated. Designated unreserved fund balances as of June 30, 2007 are as follows:

	General Fund	Transient Occupancy Taxes Fund	Gas Tax & Road Fund	Special Assessments Districts Fund	Capital Outlay Fund	Parks Development Fund	Transportation Development Fund	Non-major Governmental Funds	Total
Current projects	\$ 298,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,110
Capital improvements				45,783,845	10,041,080		28,311,171		84,136,096
Compensated Absences	5,928,547	50,721	83,472						6,062,740
Debt services								44,145	44,145
	<u>\$ 6,226,657</u>	<u>\$ 50,721</u>	<u>\$ 83,472</u>	<u>\$ 45,783,845</u>	<u>\$ 10,041,080</u>	<u>\$ -</u>	<u>\$ 28,311,171</u>	<u>\$ 44,145</u>	<u>\$ 90,541,091</u>

Designations of fund balance for anticipated currently budgeted, but not started or completed, multi-year non-capital projects and capital projects are denoted "Current projects" and "Capital Improvements," respectively. The unreserved fund balance in the Public Finance Authority Debt Service fund is entirely designated for debt service purposes.

Property Taxes

In 1978, a state constitutional amendment (Proposition 13) provided that the property tax rate is limited to 1% of market value. This property tax rate limitation may only be increased through voter approval. The County is the sole agency responsible for levying and collecting the property taxes and distributing them to taxing jurisdictions. Taxes are allocated and distributed based upon each taxing jurisdiction's assessed valuations and upon any voter-approved debt override on the tax rate.

The property tax calendar for the City and the Agency is as follows:

Valuation Date	January 1
Lien date	March 1
Levy dates	July 1 through June 30
Due dates	November 1; February 1
Collection dates	December 10; April 10

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Cash Flow Statements

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, deposits, short-term investments and cash and investments with fiscal agents. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Use of Estimates

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

E. Stewardship, Compliance, and AccountabilityBudgets and Budgetary Accounting

The procedures established by the City Council in adopting the budgetary data reflected in the financial statements are as follows:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City Council legally enacts the budget by resolution before July 1.

The City Manager is authorized to transfer budgeted amounts between departments within any fund and approve reductions of budgeted amounts. Since expenditures may not exceed budgeted appropriations at the fund level, any revisions that alter the total appropriations of any fund are to be approved by the City Council. Projects budgeted within the fiscal year but not yet completed can be re-appropriated the following fiscal year with City Manager approval. All other unencumbered appropriations lapse at year-end. Encumbered amounts are re-appropriated in the ensuing fiscal year budget.

Budgets are adopted for all governmental fund types and are prepared on a basis consistent with accounting principles generally accepted in the United States of America.

Budgeted amounts are as originally adopted, or as amended by the City Council. During the fiscal year ended June 30, 2007 the City Council approved \$24,183,246 of increases to the originally adopted budget, excluding carryovers of prior year encumbered balances and selected capital appropriations.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Excess of Expenditures over Appropriations

<u>Major Governmental Funds</u>	<u>Amount</u>	<u>Actual</u>	<u>Variance</u>
Transient Occupancy Taxes- Community services	\$ 5,674,277	\$ 6,973,002	\$ (1,298,725)

Deficit Fund Equity

No City fund reported a deficit in its equity accounts as of June 30, 2007.

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$326,254,198
Fiduciary funds:	
Cash and investments	57,278,471
Retirement system investments- Federal agency coupons	<u>1,000,000</u>
Total cash and investments	<u>\$384,532,669</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 2,747,636
Deposits with financial institutions	670,130
Investments	382,756,298
GASB 31 Market Value Adjustment	<u>(1,641,395)</u>
Total cash and investments	<u>\$384,532,669</u>

Investments authorized by California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code, or the City's investment policy, where more restrictive. These statutory and local restrictions also apply to the Redevelopment Agency, a discretely presented component unit of the City. The table also identifies the more restrictive provision of the California Government Code or the City's investment policy that address interest rate

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

risk, credit risk, and concentration of credit risk. This table does not address investment of debt proceeds held by bond trustee that are governed by the provisions of the City's debt agreements, rather than the general provisions of either the California Government Code or the City's investment policy.

<u>Authorized Investment Types</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Maturity</u>
U.S. Treasury Bills, Notes and Bonds	0 to 100%	5 Years
U.S. Government Agency Obligations	20% per agency	5 Years
Bankers Acceptances	40%	180 Days
Commercial Paper	25%	270 Days
Repurchase Agreements	30%	90 Days
Local Agency Investment Fund	40%	N/A
Time Certificates of Deposit	40%	5 Years
Public Agency Demand Accounts	30%	N/A
Mutual Funds	20%	N/A

Investment Authorized by Debt Agreements

The City and its Component Units have \$2,633,813 in investments held by bond trustees—pledged to the payment or security of certain debt issues. These investments are held in direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States Government or an agency thereof. The California Government Code provides that monies held by a bond trustee pledged to the payment or security of debt issues, absent specific statutory provisions governing the issuance of the debt, may be invested in accordance with the ordinances, resolutions, or indentures specifying the types of investments the respective bond issue's trustee may make. The obligations described above are authorized per the investment agreements with the bond trustees and include, but are not limited to, Federal Land Bank Bonds, Federal Home Loan Bank notes and bonds, Export-Import Bank notes and guaranteed participation certificates, obligations of or fully guaranteed by the Government National Mortgage Association, Federal National Mortgage Association notes, debentures and guaranteed certificates of participation, obligations of the International Bank of Reconstruction and Development and Federal Home Loan Mortgage Corporation notes, debentures and guaranteed certificates of participation.

Interest Rate Risk

Interest rate risk is the risk that changes in the 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. As part of the City's investment policy, one of the ways that the City manages its exposure to interest rate risk is 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 maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Remaining Maturity (in Months)

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

<u>Investment Type</u>		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
U.S. Government Agency Obligations:					
Federal Farm Credit Bank	\$ 50,998,250	\$ 10,999,250	\$10,999,000	\$29,000,000	\$ -
Federal Home Loan Bank	60,998,900	15,999,750	14,500,000	30,499,150	-
Federal Home Loan Mortgage Corp.	50,991,990	16,997,240	6,000,000	27,994,750	-
Federal National Mortgage Assn.	55,998,450	9,999,215	18,000,000	27,999,235	-
U.S. Treasury Bills, Notes, and Bonds	1,631,732	1,631,732			
Local Agency Investment Fund	106,417,339	106,417,339	-	-	-
Mutual Funds (1)	53,085,824	53,085,824	-	-	-
Investment Contracts	<u>2,633,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,633,813</u>
Total	<u>\$382,756,298</u>	<u>\$215,130,350</u>	<u>\$49,499,000</u>	<u>\$115,493,135</u>	<u>\$2,633,813</u>

(1) See Note 16 for Other Post Employment Benefits

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

Except as inherent by their nature as disclosed above, the City’s investments (including those held by a bond trustee) are not highly sensitive to interest rate fluctuations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, or the City’s investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Ratings as of the Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
U.S. Government Agency Obligations:					
Federal Farm Credit Bank	\$ 50,998,250	N/A	\$ 50,998,250	\$ -	\$ -
Federal Home Loan Bank	60,998,900	N/A	60,998,900	-	-
Federal Home Loan Mortgage Corp.	50,991,990	N/A	50,991,990	-	-
Federal National Mortgage Assn.	55,998,450	N/A	55,998,450	-	-
U.S. Treasury Bills, Notes, and Bonds	1,631,732	N/A	1,631,732	-	-
Local Agency Investment Fund	106,417,339	N/A	-	-	106,417,339
Mutual Funds (1)	53,085,824	N/A	53,085,824	-	-
Investment Contracts	<u>2,633,813</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>2,633,813</u>
	<u>\$382,756,298</u>		<u>\$273,705,146</u>	<u>\$ -</u>	<u>\$109,051,152</u>

(1) See Note 16 for Other Post Employment Benefits

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Concentration of Credit Risk

The City's investment policy does not limit the amount that can be invested in any one issuer beyond the limitations stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total City's total investments are as follows.

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Investment Percentage</u>
Federal Farm Credit Bank	Federal Agency Securities	\$50,998,250	13%
Federal Home Loan Bank	Federal Agency Securities	\$60,998,900	16%
Federal Home Loan Mortgage Corp.	Federal Agency Securities	\$50,991,990	13%
Federal National Mortgage Assn.	Federal Agency Securities	\$55,998,450	13%

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that the City will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party if a depository institution fails. The custodial credit risk for *investments* is the risk that the City will not be able to recover the value of its investment or collateral securities held by another party if the counterparty (e.g. broker-dealer) to a transaction fails. The California Government Code and City's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to *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. However, due to an error by Bank of America the City's investments with them was only collateralized up to 102% at June 30, 2007. It only happened on June 30, 2007, and Bank of America corrected the error the following business day.

As of June 30, 2007, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts, as permitted by the California Government Code. As of June 30, 2007, all of the City's investments were held by the City itself or by a broker-dealer (counterparty) other than the broker-dealer used by the City to purchase the securities in the City's name.

Investment in State Investment Pool

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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

NOTE 3 - COMPOSITION OF ACCOUNTS RECEIVABLE AND PAYABLE BALANCES

Accounts receivable at June 30, 2007 of the City's major individual funds and non-major and internal service funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

Accounts Receivable - Governmental Funds:	General Fund	Transient	Community	Gas Tax & Road Fund	Capital Outlay Fund	Transportation Development Funds	Internal Service Funds	Total Governmental Activities
		Occupancy Taxes Fund	Development Block Grant Fund					
Taxes	\$ -	974,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$974,776
Accounts	2,013,168		175,285	22,031	303,550	385,387	295,023	3,194,444
Gross Receivables	2,013,168	974,776	175,285	22,031	303,550	385,387	295,023	4,169,220
Less: Allowance for Uncollectible	-	-	-	-	-	-	(22,004)	(22,004)
Total Accounts Receivable - Net	\$2,013,168	\$974,776	\$175,285	\$22,031	\$303,550	\$385,387	\$273,019	\$4,147,216

Accounts Receivable - Proprietary Funds:	Wastewater Treatment Fund	Refuse Collection Fund	Agricultural Water Fund	Domestic Water Fund	General Aviation Fund	Offstreet Parking Fund	Total Business-Type Activities
Gross Receivables	1,523,184	825,265	1,409,850	1,757,809	183	4,048	5,520,339
Less: Allowance for Uncollectible							
Total Accounts Receivable - Net	\$1,523,184	\$825,265	\$1,409,850	\$1,757,809	\$ 183	\$ 4,048	\$5,520,339

Accounts payable and accrued liabilities at June 30, 2007 are composed of the following:

Accounts Payable and Accrued Liabilities - Governmental Activities:	General Fund	Transient	Community	Gas Tax & Road Fund	Capital Outlay Fund	Parks Development Fund	Transportation Development Fund	Non-major Governmental Funds	Internal Service Funds	Total Governmental Activities
		Occupancy Taxes Fund	Development Block Grant Fund							
Accounts	\$ 2,136,861	\$ 74	\$ 760,052	\$ 3,472,871	\$ 959,607	\$ 7,271,099	\$ 765,438	\$ 75,765	\$ 1,466,597	\$ 16,908,364
Accrued Interest										218,789
Due to federal government	259,780									\$ 259,780
Due to other governments	108,437									\$ 108,437
Deposits	313,220									\$ 313,220
Total Accounts Payable and Accrued Liabilities	\$ 2,818,298	\$ 74	\$ 760,052	\$ 3,472,871	\$ 959,607	\$ 7,271,099	\$ 765,438	\$ 75,765	\$ 1,466,597	\$ 17,808,590

Accounts Payable and Accrued Liabilities - Business Activities:	Wastewater Treatment Fund	Refuse Collection Fund	Agricultural Water Fund	Domestic Water Fund	General Aviation Fund	Off-street Parking Fund	Total Business-Type Activities
Accrued interest				22,163			22,163
Meter deposit				22,159			22,159
Kern River Levee District			349,264				349,264
Total Accounts Payable and Accrued Liabilities	\$ 5,030,874	\$ 2,314,078	\$ 556,208	\$ 1,691,732	\$ 6,065	\$ 1,799	\$ 9,600,756

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2007 are comprised of the following:

	Federal Government	State of California	County Agencies	Total Governmental Activities	Business Activities	Discretely Presented Component Unit	Total Reporting Entity
SB90 Claims	\$ -	\$ 1,912,761	\$ -	\$ 1,912,761	\$ -	\$ -	\$ 1,912,761
Sales Tax		8,002,600		8,002,600			8,002,600
Sales Tax Extension			229,612	229,612			229,612
Property Tax			1,551,779	1,551,779	1,217,026	471,024	3,239,829
OES Disaster Relief		34,403		34,403			34,403
Kern Co. Public Works			2,017	2,017			2,017
Fire Services			76,603	76,603			76,603
Economic & Community Development	764,550			764,550			764,550
Department of Transportation	6,026,459	4,298,848		10,325,307			10,325,307
East Niles Comm. Serv. Dist.			183,333	183,333			183,333
Kern Council of Governments			2,400	2,400			2,400
Cycle 9 Used Oil Program					74,785		74,785
Green Waste Facility					1,293,583		1,293,583
PERS Retirement		41,640		41,640			41,640
Totals	\$ 6,791,009	\$ 14,290,252	\$ 2,045,744	\$ 23,127,005	\$ 2,585,394	\$ 471,024	\$ 26,183,423

NOTE 5 - LAND HELD FOR RESALE

The City's discretely presented component unit acquires and, for limited periods, holds real property to be used in its redevelopment activities. These inventories of land held for resale and not held for use by the Agency are presented at the lower of cost or net realizable value. The following activity occurred in the Agency's inventory of such real property during the current fiscal year:

Component unit	Balance at			Balance at	
	June 30, 2006	Additions	Deletions	June 30, 2007	
Land held for resale	\$ 5,222,941	883,209	-	\$ 6,106,150	

NOTE 6 - CAPITAL ASSETS

In accordance with GASB 34 the City has selected to restate the beginning balances for capital assets related to infrastructure to include infrastructure and depreciation related to infrastructure not previously included in the financial statements.

Capital asset activities for the year ended June 30, 2007 were as follows:

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

	Balance June 30, 2006	Adjustments	Addition	Retirement	Balance June 30, 2007
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 31,433,829	*/** \$ 245,152,103	\$ 127,776,623	\$ -	\$ 404,362,555
Construction in progress	32,433,507		27,571,178	23,047,645	36,957,040
Total capital assets, not being depreciated	<u>63,867,336</u>	<u>245,152,103</u>	<u>155,347,801</u>	<u>23,047,645</u>	<u>441,319,595</u>
Capital assets, being depreciated					
Buildings	113,199,218		13,713,951	-	126,913,169
Infrastructure	1,207,435,638	* (162,272,340)	135,832,348	-	1,180,995,646
Rolling equipment	49,001,548		9,696,022	3,622,193	55,075,377
Furniture and other equipment	20,395,102		3,863,770	17,320	24,241,552
Total capital assets, being depreciated	<u>1,390,031,506</u>	<u>(162,272,340)</u>	<u>163,106,091</u>	<u>3,639,513</u>	<u>1,387,225,744</u>
Less accumulated depreciated for					
Buildings	(34,677,060)		(2,836,355)	-	(37,513,415)
Infrastructure	(393,271,075)		(19,043,442)	-	(412,314,517)
Rolling equipment	(29,990,052)		(4,528,945)	(3,258,152)	(31,260,845)
Furniture and other equipment	(12,967,595)		(1,575,432)	(53,108)	(14,489,919)
	<u>(470,905,782)</u>		<u>(27,984,174)</u>	<u>(3,311,260)</u>	<u>(495,578,696)</u>
Total Capital Assets, being depreciated, net	<u>919,125,724</u>	<u>(162,272,340)</u>	<u>135,121,917</u>	<u>328,253</u>	<u>891,647,048</u>
Governmental activities capital assets, net	<u>\$ 982,993,060</u>	<u>** \$ 82,879,763</u>	<u>\$ 290,469,718</u>	<u>\$ 23,375,898</u>	<u>\$ 1,332,966,643</u>
Business-type activities					
Capital assets, not being depreciated					
Land	\$ 34,640,958		\$ -	\$ -	\$ 34,640,958
Construction in progress	17,233,227		37,142,341	1,945,636	52,429,932
Total capital assets, not being depreciated	<u>51,874,185</u>		<u>37,142,341</u>	<u>1,945,636</u>	<u>87,070,890</u>
Capital assets, being depreciated					
Buildings structures and improvements	118,369,732		3,392		118,373,124
Infrastructure	562,815,572		57,226,730		620,042,302
Equipment	9,453,593		333,792		9,787,385
Total capital assets, being depreciated	<u>690,638,897</u>		<u>57,563,914</u>	<u>-</u>	<u>748,202,811</u>
Less accumulated depreciation for					
Buildings structures and improvements	(50,259,598)		(2,023,246)		(52,282,844)
Infrastructure	(134,726,149)		(10,894,018)		(145,620,167)
Equipment	(4,467,558)		(689,674)		(5,157,232)
Total accumulated depreciation	<u>(189,453,305)</u>		<u>(13,606,938)</u>	<u>-</u>	<u>(203,060,243)</u>
Total Capital Assets, being depreciated, net	<u>501,185,592</u>		<u>43,956,976</u>	<u>-</u>	<u>545,142,568</u>
Business-type activities capital assets, net	<u>\$ 553,059,777</u>		<u>\$ 81,099,317</u>	<u>\$ 1,945,636</u>	<u>\$ 632,213,458</u>

* Balances have been reclassified to correct land that was included in infrastructure for \$162,272,340 as of June 30, 2006.

** Balance for Land includes an \$82,879,763 restatement because of a calculation error in the Infrastructure Valuation Report.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Depreciation and amortization expense was charged in the following functions in the Statement of Activities:

Governmental functions:	<u>Amortization</u>	<u>Depreciation</u>	<u>Total</u>
General government	\$ -	\$ 342,994	\$ 342,994
Public safety - Police		1,190,136	1,190,136
Public safety - Fire		709,265	709,265
Public works		23,681,994	23,681,994
Community services		1,968,648	1,968,648
Development services		55,618	55,618
Economic and Community Development		35,519	35,519
	<hr/>	<hr/>	<hr/>
Total	\$ -	\$ 27,984,174	\$ 27,984,174
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Business-type functions:			
Wastewater treatment		\$ 9,134,647	\$ 9,134,647
Agricultural water		804,189	804,189
Domestic water	9,667	3,465,821	3,475,488
General aviation		132,281	132,281
Off-street parking		70,000	70,000
	<hr/>	<hr/>	<hr/>
Total	\$ 9,667	\$ 13,606,938	\$ 13,616,605
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTE 7 - OTHER LONG-TERM RECEIVABLE

Other long-term receivables consist of the following:

Governmental Activities

Loans receivable in the equipment management internal service fund due from a local garbage hauler. Interest is charged at the range of 4.75% - 7.5%.

\$ 924,722

Deferred loans receivable associated with the low and moderate income housing project. These loans bear 0%-3% interest and are not due until ten years after the loan agreement date (also see deferred revenue at Note 9).

6,396,761

Face value of loans

7,321,483

Less: current portion

139,722

Long-term portion

\$ 7,181,761

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Business-Type Activities

Notes receivable in the agricultural water fund are for the amounts due from various customers/vendors.

These loans are non-interest bearing. \$ 52,275

Long term receivable under agreement 73-153(6) between the City and East Niles Community Services District (ENCSD) for additional flow and treatment capacity in Waste Water Treatment Plant #2. 2,024,642

Long term receivable under agreement 87-153(5) between the City and Dreyer's Grand Ice Cream Inc. for additional flow and treatment capacity in Waste Water Treatment Plant #3 5,062,212

Various long term receivables in the domestic water fund relate to contracts under which the City has agreed to provide future water services to properties to be developed and the land owners have agreed to pay the receivable amounts upon filing of tract maps. The amounts due are liens against the respective properties upon execution of the agreements. The revenues related to these contracts are deferred. 3,877,865

Total Business-type noncurrent receivables \$ 11,016,994

Component Unit

Golden Empire Affordable Housing, Inc., principal due and payable on July 12, 2054. Interest at 1.5%. The interest payment will be deferred for first ten years until the year 2010. \$ 800,000

Canyon Hills Senior Housing, Inc., principal due and payable by July 30, 2031. Interest at 0%. 310,000

Capital Vision Equities Development, Inc., principal due and payable by March 2036. Interest at 3%. The interest payment will start on January 1, 2004. 990,000

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Lease receivable from City of Bakersfield for the Convention Center Arena. Principal due and payable semi-annually by April 1 and October 1 until April 1, 2022. Interest at 5.5%.	<u>33,560,000</u>
Face value of loans	35,660,000
Less current portion	<u>1,245,000</u>
Long-term portion	<u>\$ 34,415,000</u>

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transactions are comprised of loans, services provided, reimbursements, or transfers. Loans are reported as amounts “due to/due from” other funds or as “advances”, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental type activities and business-type activities are netted as part of the consolidation required to produce the government-wide financial statements.

Interfund receivable and payable balances at June 30, 2007 were:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 402,475	\$ -
Parks Development Fund		
Non-Major Fund -		
Public Financing Authority Debt Fund		402,475
Proprietary Funds -		
Major Funds:		
Agricultural Water Fund		
Domestic Water Fund		
Equipment Management	<u>\$ 402,475</u>	<u>\$ 402,475</u>
	<u>Advance from Other Funds</u>	<u>Advance to Other Funds</u>
Proprietary Funds -		
Major Funds:		
Agricultural Water Fund	\$ 1,000,000	\$ -
Wastewater Treatment Fund		1,000,000
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Interfund transfers at June 30, 2007 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
Major Funds:		
General Fund	\$ 2,250,000	\$ 20,332,170
Transient Occupancy Tax Fund		4,070,000
Community Development Block Grant Fund		396,378
Gas Tax & Road Fund		42,777
Capital Outlay Fund	24,050,000	3,000,000
Transportation Development Fund	8,635,615	8,635,615
Non-Major Funds:		
State Safety Fund		900,000
General Obligation Debt	396,378	
Public Financing Authority Debt Service Fund	2,010,000	
Public Financing Authority Capital Project Fund		2,010,000
<u>Proprietary Funds:</u>		
Major Funds:		
Wastewater Treatment Fund		532,000
Refuse Collection Fund		2,233,400
Agricultural Water Fund	13,848	215,000
Domestic Water Fund		129,148
Internal Service Funds	5,140,647	
	<u>\$ 42,496,488</u>	<u>\$ 42,496,488</u>

Additional details regarding transfers in and out of various funds are provided below:

- The \$1,350,000 transfer in to the General fund is a transfer from the Transient Occupancy Tax Fund to increase the cash basis reserve fund. The remaining \$900,000 transfer in to the General fund is a transfer from the State Safety Fund to subsidize cost of the traffic division of the police department for parking fine violations.
- The \$2,010,000 transfer in to the Public Finance Authority (PFA) Debt fund is a transfer from the PFA Operating fund to be used for debt service.
- The \$24,050,000 transfer in to the Capital Outlay fund is made up of a combination of transfers from several funds to facilitate construction of various capital assets of the City.
- The \$396,378 transfer in to the General Obligation Debt fund is a transfer from the Community Development Block Grant (CDBG) fund for repayment of a Section 108 loan.
- The \$13,848 transfer in to the Agricultural Water fund is a transfer from the Domestic Water fund to cover their 75% share of debt on the 2002 General Obligation Water Bonds.
- The \$5,140,647 is a transfer in to Internal Service funds. This item is from various funds to the Equipment fund to purchase additional vehicles and equipment.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

NOTE 9 – DEFERRED/UNEARNED REVENUE

The following table summarizes deferred revenue for the Reporting Entity at June 30, 2007:
The Governmental Activities is broken out by unearned revenue and deferred revenue (unavailable).

Governmental activities:	<u>Unearned</u>	<u>Unavailable</u>
Dog License	\$ 95,171	\$ -
Governmental Activities:		
General Fund		
California Water Receivable		191,017
Collection Agency Receivable		868,155
Police Service Receivable		84,143
State Agencies (SB90)		1,912,761
Developer's Share (EIRs)	<u>1,304,786</u>	
General Fund	1,399,957	<u>3,056,076</u>
Community Development Block Grant Fund - Deferred loans		4,924,477
Trip Fund - Cal Trans project	3,493,000	
Gas Tax & Road Fund - Developer Receivables		22,031
Transportation Development Fund		550,000
Non-major fund: State Transportation -- Grants advanced	<u>150,461</u>	
Total Governmental Funds	<u>5,043,418</u>	<u>8,552,584</u>
Self Insurance Internal Service Fund		46,464
Total Governmental Activities	<u>\$ 5,043,418</u>	<u>\$ 8,599,048</u>
Business-type activities:	<u>Unavailable</u>	
Wastewater Treatment	\$ 7,086,854	
Refuse Collection	49,011	
Domestic Water	<u>3,877,865</u>	
Total Business-Type Activities	<u>\$ 11,013,730</u>	
Discretely Presented Component Unit:		
Lease Receivable	\$ 33,560,000	
Notes Receivable	2,100,000	
Total Discretely Presented Component Unit	<u>\$ 35,660,000</u>	

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

NOTE 10 - LONG-TERM DEBT

Long-term debt transactions for the fiscal year ending June 30, 2007 are summarized below:

	Governmental Activities	Business-Type Activities			Total Primary Government	Discretely Presented Component Unit	Total Reporting Entity
		General Obligations	Revenue Obligations	Total			
Payable at June 30, 2006:							
Bonds	\$ 6,165,000	\$ 1,055,000	\$ -	\$ 1,055,000	\$ 7,220,000	\$ -	\$ 7,220,000
Certificates of Participation						34,805,000	34,805,000
Notes	4,571,000	12,947,272		12,947,272	17,518,272		17,518,272
Contracts/Loans						5,231,758	5,231,758
Claims and Judgments Payable	18,668,054				18,668,054		18,668,054
Compensated Absences	12,903,420	1,800,613		1,800,613	14,704,033		14,704,033
Subtotal	42,307,474	15,802,885		15,802,885	58,110,359	40,036,758	98,147,117
New debt incurred:							
Notes		1,344,514			1,344,514		1,344,514
Certificates of Participation							-
Contracts/Loans	1,600,000				1,600,000		1,600,000
Claims and Judgments Payable					-		-
Compensated Absences	8,799,100	1,345,008		1,345,008	10,144,108		10,144,108
Subtotal	10,399,100	2,689,522		1,345,008	13,088,622	-	13,088,622
Principal reductions:							
Bonds	1,780,000	1,055,000		1,055,000	2,835,000		2,835,000
Certificates of Participation						1,245,000	1,245,000
Notes	177,000	1,236,907		1,236,907	1,413,907		1,413,907
Contracts/Loans						304,188	304,188
Claims and Judgments Payable	168,833				168,833		168,833
Compensated Absences	8,294,833	1,202,277		1,202,277	9,497,110		9,497,110
Subtotal	10,420,666	3,494,184		3,494,184	13,914,850	1,549,188	15,464,038
Payable at June 30, 2007:							
Bonds	4,385,000			-	4,385,000		4,385,000
Certificates of Participation						33,560,000	33,560,000
Notes	4,394,000	13,054,879		13,054,879	17,448,879		17,448,879
Contracts/Loans	1,600,000				1,600,000	4,927,570	6,527,570
Claims and Judgments Payable	18,499,221				18,499,221		18,499,221
Compensated Absences	13,407,687	1,943,344		1,943,344	15,351,031		15,351,031
Total Payables	\$ 42,285,908	\$ 14,998,223	\$ -	\$ 14,998,223	\$ 57,284,131	\$ 38,487,570	\$ 95,771,701

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

	Governmental Activities	Business-Type Activities			Total Primary Government	Discretely	Total Reporting Entity
		General Obligations	Revenue Obligations	Total		Presented Component Unit	
Due Within One Year							
Bonds	\$ 1,070,000	\$ -	\$ -	\$ -	\$ 1,070,000	\$ -	\$ 1,070,000
Certificates of Participation						1,630,000	1,630,000
Notes	186,000	1,250,399		1,250,399	1,436,399		1,436,399
Contracts/Loans						459,549	459,549
Claims and Judgments Payable	5,468,468				5,468,468		5,468,468
Compensated Absences	6,673,034	1,425,695		1,425,695	8,098,729		8,098,729
Total Due Within One Year	\$ 13,397,502	\$ 2,676,094	\$ -	\$ 2,676,094	\$ 16,073,596	\$ 2,089,549	\$ 18,163,145
Due in More Than One Year							
Bonds	\$ 3,315,000	\$ -	\$ -	\$ -	\$ 3,315,000	\$ -	\$ 3,315,000
Certificates of Participation						31,930,000	31,930,000
Notes	4,208,000	11,804,480		11,804,480	16,012,480		16,012,480
Contracts/Loans	1,600,000				1,600,000	4,468,021	6,068,021
Claims and Judgments Payable	13,030,753				13,030,753		13,030,753
Compensated Absences	6,734,653	517,649		517,649	7,252,302		7,252,302
Total Due in More Than One Year	\$ 28,888,406	\$ 12,322,129	\$ -	\$ 12,322,129	\$ 41,210,535	\$ 36,398,021	\$ 77,608,556

The compensated absences for governmental activities will be paid by the General Fund. The compensated absences for business activities will be paid by the respective proprietary funds.

Long-term debt payable at June 30, 2007 was comprised of the following individual issues:

Bonds:

\$22,285,000 Public Financing Authority Revenue Bonds Series 1994B - due in annual principal installments of \$765,000 to \$3,230,000 commencing September 15, 1995 through 2010; interest ranging from 4.25% to 6.90%. (This issue is serviced by the Public Financing Authority Debt Service Fund and has a \$2,225,000 Debt Service Reserve.) \$ 4,050,000

\$2,325,000 Public Financing Authority Revenue Bonds Series 1994C - due in annual principal installments of \$65,900 to \$295,000 commencing September 15, 1995 through 2010; taxable interest ranging from 6.25% to 9.5%. (This issue is serviced by the Public Financing Authority Debt Service Fund) 335,000

Total Bonds – Primary Government/Reporting Entity \$ 4,385,000

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Certificates of Participation:Certificates of participation serviced by Discretely Presented
Component Unit:

\$25,335,000 Bakersfield Redevelopment Agency -
2006 Refunding Certificates of Participation Series A
Certificates are due in annual principal installments of
\$900,000 to \$2,170,000 commencing October 1, 2006 through
2022; interest ranging from 4.00% to 4.25%. (This issue
is serviced by the Bakersfield Redevelopment Agency Debt
Service Fund.)

\$ 24,435,000

Certificates of Participation:Certificates of participation serviced by Discretely Presented
Component Unit:

\$25,335,000 Bakersfield Redevelopment Agency -
2006 Refunding Certificates of Participation Series B
Certificates due in annual principal installments of
\$345,000 to \$8305,000 commencing October 1, 2006 through
2022; interest ranging from 5.12% to 5.590%. (This issue
is serviced by the Bakersfield Redevelopment Agency Debt
Service Fund.)

\$ 9,125,000

Total Certificates of Participation -- Discretely Presented Component Unit

\$ 33,560,000Notes/Loans:

General obligation note serviced by Community Development Block
Grant (via the Municipal Debt Service Fund with Community
Development Block Grant Entitlement): \$4,100,000 HUD Section
108 Loan 2003 – due in annual principal installments of \$137,000
to \$320,000 commencing August 1, 2004 through August 2022;
interest ranging from 1.75% to 4.76%

\$ 3,670,000

General obligation note serviced by Community Development Block
Grant (via the Municipal Debt Service Fund with Community
Development Block Grant Entitlement): \$800,000 HUD Section
108 Loan 2003 – due in annual principal installments of \$24,000
to \$61,000 commencing August 1, 2004 through August 2023;
interest ranging from 1.61% to 4.76%

724,000

\$1,600,000 HUD Section 108 Loan, 2005 (Agency Agreement
#RA 06-020) – due in annual principal installments of \$58,000 to
\$137,000 commencing August 1, 2009; interest ranging from 4.96%
to 5.77%.

1,600,000

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

General obligation notes serviced by Business-Type Activities: \$14,263,555 note payable to California State Water Resources Control Board - Original advances of \$14,954,054 payable without interest in twenty annual installments beginning in fiscal year 2004 - 05 by the <u>Wastewater Treatment Fund.</u>	10,529,766
 \$1,344,514 note payable made in 2006 to the California Water Company payable on June 15 commencing in 2007 continuing through payments due from April 1, 1998 through October 1, 2013 from the <u>Domestic Water Fund.</u>	 1,075,611
 \$3,045,000 note payable made in 1997 in favor of the State of California Department of Water Resources - thirty semi-annual principal and interest payments due from April 1, 1998 through October 1, 2013 from the <u>Domestic Water Fund.</u>	 <u>1,449,361</u>
 Total general obligation notes/loans payable - Primary government	 <u><u>\$ 19,048,738</u></u>

General obligation notes/loans serviced by Discretely Presented
Component Unit (all of the following debt is serviced by the
Bakersfield Redevelopment Agency Debt Service Fund:

\$1,200,000 Bakersfield Redevelopment Agency Loan with the California Housing Finance Agency for the purchase of land for the Cottages Project. Repayment of the loan is deferred to October 2012, with 3% simple interest.	\$ 1,113,192
 \$500,000 Bakersfield Redevelopment Agency Loan with the California Housing Finance Agency for the purpose of affordable housing program. Repayment of the loan is deferred to February 2013, with 3% simple interest.	 500,000
 \$44,460 Bakersfield Redevelopment Agency Ownership Participation Agreement 1997 - tax rebates due in annual principal installments of approximately \$2,200 to \$4,400 commencing January 31, 2000 through July 31, 2009 without interest.	 11,653
 \$10,000 Bakersfield Redevelopment Agency Ownership Participation Agreement 2001 - tax rebates due in annual principal installments of approximately \$1,000 commencing July 31, 2002 through July 31, 2011 without interest.	 5,185

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

\$785,000 Bakersfield Redevelopment Inter-Agency Loan with the City of Bakersfield Equipment fund to provide the balance required for settlement of eminent domain litigation entitled Bakersfield Redevelopment Agency vs. H.W. Lakeshore Pines Joint Venture. Funds were disbursed May 2006. The loan was a 4% interest rate and an eight year payment period with the payments being deferred for the first four years.	785,000
\$1,000,000 HUD Section 108 Loan, 2003 (Agency Agreement #RA 03-016) – due in annual principal installments of \$27,000 to \$82,000 commencing August 1, 2004; interest ranging from 1.61% to 4.76%.	913,000
\$30,000 Bakersfield Redevelopment Agency Ownership Participation Agreement 2002 - due in annual principal installments of \$5,000 commencing July 31, 2005 without interest.	29,936
\$1,750,000 Bakersfield Redevelopment Loan with the California Finance Agency for purchase of land and development of multifamily housing units. Repayment of the loan is deferred until September 2006 with 3% simple interest.	<u>1,569,604</u>
Total Contracts Payable -- Discretely Presented Component Unit	<u>\$ 4,927,570</u>
Compensated Absences:	
Governmental Activities	\$ 13,407,687
Business-type Activities	<u>1,943,344</u>
Total compensated absences - Primary Government/Reporting Entity	<u>\$ 15,351,031</u>

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

A summary of the reporting entity's debt service requirements outstanding at June 30, 2007 is as follows:

	Primary Government	Component Unit	Reporting Entity
Principal:			
Governmental Activities	\$ 42,285,908	\$ 38,487,570	\$ 80,773,478
Business-Type Activities:			
General Obligations	14,998,223		14,998,223
Revenue Obligations			
Subtotal - Principal	<u>57,284,131</u>	<u>38,487,570</u>	<u>95,771,701</u>
Less: Claims and Judgments Payable included above that bear no interest and have no schedule repayment terms	18,499,221		18,499,221
Less: compensated absences included above that bear no interest and have no schedule repayment terms	<u>15,351,031</u>		<u>15,351,031</u>
Total principal with scheduled repayment terms	23,433,879	38,487,570	61,921,449
Interest on Obligations	<u>6,504,876</u>	<u>15,189,069</u>	<u>21,693,945</u>
Total debt service requirements	<u>\$ 29,938,755</u>	<u>\$ 53,676,639</u>	<u>\$ 83,615,394</u>

The annual requirement to amortize the principal and interest on long-term debt at June 30, 2007 is as follows:

Year ending	Government-Type Activities			Government-Type Activities		
	Principal			Interest		
	Bonds	Notes/Loans	Total	Bonds	Notes/Loans	Total
2008	\$ 1,070,000	\$ 186,000	\$ 1,256,000	\$ 278,532	\$ 301,052	\$ 579,584
2009	830,000	194,000	1,024,000	213,993	294,885	508,878
2010	125,000	261,000	386,000	174,570	286,163	460,733
2011	2,360,000	274,000	2,634,000	84,006	274,910	358,916
2012	-	285,000	285,000	-	262,467	262,467
2013-2017	-	1,648,000	1,648,000	-	1,086,028	1,086,028
2018-2022	-	2,098,000	2,098,000	-	598,017	598,017
2023-2027	-	1,048,000	1,048,000	-	107,307	107,307
Totals	<u>\$ 4,385,000</u>	<u>\$ 5,994,000</u>	<u>\$ 10,379,000</u>	<u>\$ 751,101</u>	<u>\$ 3,210,829</u>	<u>\$ 3,961,930</u>

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Year ending	Business-Type Activities			Business-Type Activities		
	Principal			Interest		
	Bonds	Notes	Total	Bonds	Notes	Total
2008		\$ 1,250,484	\$ 1,250,484		\$ 298,814	\$ 298,814
2009		1,264,535	1,264,535		268,757	268,757
2010		1,279,604	1,279,604		237,823	237,823
2011		1,295,606	1,295,606		205,954	205,954
2012	-	1,043,697	1,043,697	-	173,096	173,096
2013-2017	-	3,912,447	3,912,447	-	756,788	756,788
2018-2022	-	3,008,506	3,008,506	-	601,714	601,714
2023-2027	-	-	-	-	-	-
Totals	\$ -	\$ 13,054,879	\$ 13,054,879	\$ -	\$ 2,542,946	\$ 2,542,946

Year ending	Discretely Presented Component Unit			Discretely Presented Component Unit		
	Principal			Interest		
	COP	Notes/Contracts	Total	COP	Notes/Contracts	Total
2008	\$ 1,630,000	\$ 459,549	\$ 2,089,549	\$ 1,579,044	\$ 125,971	\$ 1,705,015
2009	1,700,000	473,558	2,173,558	1,508,696	114,325	1,623,021
2010	1,765,000	550,426	2,315,426	1,434,900	234,726	1,669,626
2011	1,845,000	1,169,314	3,014,314	1,358,060	264,708	1,622,768
2012	1,910,000	692,524	2,602,524	1,277,710	92,799	1,370,509
2013-2017	10,925,000	1,095,199	12,020,199	4,937,082	206,366	5,143,448
2018-2022	13,785,000	327,000	14,112,000	1,953,029	92,454	2,045,483
2023-2027	-	160,000	160,000	-	9,199	9,199
Totals	\$ 33,560,000	\$ 4,927,570	\$ 38,487,570	\$ 14,048,521	\$ 1,140,548	\$ 15,189,069

Year Ending	Reporting Entity			Reporting Entity		
	Principal			Interest		
	Bonds/COP	Notes/Cont./Loans	Total	Bonds/COP	Notes/Cont/Loan	Total
2008	\$ 2,700,000	\$ 1,896,033	\$ 4,596,033	\$ 1,857,576	\$ 725,837	\$ 2,583,413
2009	2,530,000	1,932,093	4,462,093	1,722,689	677,967	2,400,656
2010	1,890,000	2,091,030	3,981,030	1,609,470	758,712	2,368,182
2011	4,205,000	2,738,920	6,943,920	1,442,066	745,572	2,187,638
2012	1,910,000	2,021,221	3,931,221	1,277,710	528,362	1,806,072
2013-2017	10,925,000	6,655,646	17,580,646	4,937,082	2,049,182	6,986,264
2018-2022	13,785,000	5,433,506	19,218,506	1,953,029	1,292,185	3,245,214
2023-2027	-	1,208,000	1,208,000	-	116,506	116,506
Totals	\$ 37,945,000	\$ 23,976,449	\$ 61,921,449	\$ 14,799,622	\$ 6,894,323	\$ 21,693,945

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

NOTE 11 - REIMBURSABLE DEVELOPER COSTS

Reimbursable developer costs of \$3,997,173 at June 30, 2007 represent amounts due to developers for construction of water mainline extensions and certain other water facilities. For mainline extensions which had been transferred to the City prior to July 1, 1982, the developers are to be reimbursed based on revenues generated from the water sales associated with these mainline extensions. The City is required to reimburse the developers an amount equal to 10% of the water sales on a yearly basis with the total amount to be reimbursed within 20 years. Generally, no interest is incurred on these liabilities.

For mainline extensions transferred to the City after June 30, 1982, the City is required to reimburse 2.5% of the cost of the extension on a yearly basis with the total amount to be reimbursed within 40 years.

NOTE 12 - EMPLOYEE RETIREMENT BENEFITS**General**

The City participates in the Miscellaneous Plan of the City of Bakersfield, the Safety Fire Plan of the City of Bakersfield, and the Safety Police Plan of the City of Bakersfield, which are included in the Public Agency portion of the California Public Employees Retirement System (CalPERS). The City also participates in the Fireman's Relief and Pension Fund (FRPF), which is administered by the City. Combined, the plans cover all permanent and certain part-time employees.

Prior to June 26, 1972, all City employees of the Fire Department were covered by FRPF. Effective June 26, 1972, all existing and new employees of the Fire Department became members of CalPERS.

CalPERS

Plan Description: The City of Bakersfield's defined benefit pension plan, the Miscellaneous Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The City of Bakersfield selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento CA 95814.

Funding Policy: Active plan members in the Miscellaneous Plan are required to contribute 8% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2006/07 was 14.247%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost: For fiscal year 2006/07, the City's annual pension cost was \$6,687,551, and the City actually contributed \$6,687,551. The required contribution for fiscal year 2006/07 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. 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 ranging from

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

3.25% to 14.45%, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of the Miscellaneous Plan's assets was determined using techniques that smoothed the effects of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses. The Miscellaneous Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2004 was twenty-eight years.

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 3,524,661	100%	\$ -
6/30/2006	\$ 6,359,212	100%	\$ -
6/30/2007	\$ 6,687,551	100%	\$ -

(UNAUDITED) REQUIRED SUPPLEMENTARY INFORMATION
FUNDED STATUS OF MISCELLANEOUS PLAN

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio [(A)/(B)]	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll $\{[(B)-(A)]/(E)\}$
6/30/2004	\$ 192,771,610	\$ 220,986,653	\$ 28,215,043	87.20%	\$ 38,144,465	74.00%
6/30/2005	\$ 208,030,836	\$ 237,796,477	\$ 29,765,641	87.50%	\$ 40,150,566	74.10%
6/30/2006	\$ 226,451,746	\$ 255,095,541	\$ 28,643,795	88.80%	\$ 43,527,124	65.80%

Plan Description: The City of Bakersfield's defined benefit pension plan, the Safety Fire Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Safety Fire Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The City of Bakersfield selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento CA 95814.

Funding Policy: Active Safety Fire Plan members are required to contribute 9% of their annual covered salary towards payment of the annual pension cost. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2006/07 was 21.870%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Annual Pension Cost: For fiscal year 2006/07, the City’s annual pension cost was \$3,327,360 and the City actually contributed \$3,327,360. The required contribution for fiscal year 2006/07 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. 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 ranging from 3.25% to 13.15%, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of the Safety Fire Plan’s assets was determined using techniques that smoothed the effects of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses. The Safety Fire Plan’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2004, was thirty-two years.

THREE-YEAR TREND INFORMATION FOR THE SAFETY FIRE PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 3,844,236	100%	\$ -
6/30/2006	\$ 3,879,961	100%	\$ -
6/30/2007	\$ 3,327,360	100%	\$ -

(UNAUDITED) REQUIRED SUPPLEMENTARY INFORMATION
FUNDED STATUS OF THE SAFETY FIRE PLAN

	(A)	(B)	(C)	(D)	(E)	(F)
		Entry Age	Unfunded	Funded	Covered	Unfunded
Actuarial	Actuarial	Actuarial	Actuarial	Ratio	Payroll	Actuarial
Valuation	Asset Value	Accrued	Accrued	[(A)/(B)]		Liability as
Date		Liability	Liability			Percentage of
						Covered Payroll
						[[(B)-(A)]/(E)]
6/30/04	\$ 119,692,263	\$136,596,056	\$ 16,903,793	87.60%	\$12,719,475	132.9%
6/30/05	\$ 129,535,660	\$145,627,905	\$ 16,092,245	88.90%	\$13,717,142	117.3%
6/30/06	\$ 139,944,092	\$156,354,757	\$ 16,410,665	89.50%	\$14,362,096	114.3%

Plan Description: The City of Bakersfield’s defined benefit pension plan, the Safety Police Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Safety Police Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Menus of benefit provisions as well as other requirements are established by State statutes within the Public Employee’s Retirement Law. The city of Bakersfield selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento CA 95814.

Funding Policy: Active plan members in the Safety Police Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

the benefits for its members, the actuarial methods and assumptions used are those adopted by the CalPERS Board of administration. The required employer contribution rate for fiscal 2006/07 was 28.688%. The contribution requirements of the plan members are established and may be amended by CalPERS.

Annual Pension Cost: For fiscal year 2006/07, the City’s annual pension cost was \$7,465,785, and the City actually contributed \$7,465,785. The required contribution for fiscal year 2006/07 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. 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 ranging from 3.25% to 13.15%, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of the Safety Police Plan’s assets was determined using techniques that smoothed the effects of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses. The Safety Police Plan’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2004, was thirty-two years.

THREE-YEAR TREND INFORMATION FOR THE SAFETY POLICE PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 6,698,196	100	\$ -
6/30/06	\$ 8,285,073	100	\$ -
6/30/07	\$ 7,465,785	100	\$ -

(UNAUDITED) REQUIRED SUPPLEMENTARY INFORMATION
FUNDED STATUS OF THE SAFETY POLICE PLAN

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio [(A)/(B)]	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll $\{[(B)-(A)]/(E)\}$
6/30/2004	\$ 147,387,137	\$ 194,008,124	\$ 46,620,987	76.00%	\$ 21,805,516	213.80%
6/30/2005	\$ 160,921,545	\$ 208,572,116	\$ 47,650,571	77.20%	\$ 22,543,104	211.40%
6/30/2006	\$ 175,933,055	\$ 228,096,765	\$ 52,163,710	77.10%	\$ 24,796,549	210.40%

Fireman’s Relief and Pension Fund

A. Plan Description

The Fireman’s Relief and Pension Fund (FRPF), a single-employer defined benefit pension plan, is used to account for the accumulation of resources to be used for retirement, disability and death benefits as well as an annual COLA for Fire Department personnel who retired prior to June 26, 1972. At that time, eligible participants of the FRPF became members of CalPERS, and the FRPF was closed to new entrants. As of June 30, 2006, the most recent actuarial valuation date, there were 11 participants, all currently retired and 100% vested. There is not a

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

separate, audited GAAP-basis pension report available for the Firemen's Relief and Pension Fund defined pension plan.

B. Funding Policy

There were no employer or employee contributions made to this plan subsequent to June 26, 1972; the only activity in this plan is the receipt of income on invested assets and the payment of vested benefits. Benefit provisions may be amended by action of the City Council.

Through June 30, 1996, an actuarial valuation was performed every three years using the unit-credit method to calculate the costs of the FRPF for pension benefits. Since June 30, 1998, valuations have occurred every two years. The June 30, 2006 valuation used the unprojected unit credit method to calculate the costs for pension benefits.

The FRPF carried the following investments at June 30, 2007 which were not issued or directly guaranteed by the U.S. government and which exceeded five percent of plan assets for any one organization:

Federal Home Loan Bank Coupon	\$ 1,000,000
Local Agency Investment Fund	\$ 616,379

C. Actuarial Methods and Assumptions

The following are actuarial assumptions for the Plan's most recent actuarial study:

Valuation date	06/30/06
Actuarial cost method	Unit credit method
Amortization method – UAAL	Average expected future lifetimes of plan participants.
Amortization period	N/A
Actuarial asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	5.25% Compounded annually (3.0% as of 06/30/04)
Projected salary increases	N/A
Post retirement benefit increases	None
Inflation	3.5%
Mortality	The RP2000 Annuity Table (projected to 2010). (1971 group annuity mortality table set back two years for males and eight years for females, as of 06/30/04.)

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

NOTE 13 - SPECIAL ASSESSMENT DISTRICTS

In addition to the Long-Term Obligations discussed in Note 10, the following Long-Term Obligations have been issued in the name of Special Assessment Districts or Agencies of the City. Neither the City, nor its Agencies, is obligated in any manner for the repayment of these obligations. The City acts as an agent to property owners for the collection and repayment of Special Assessment Debt.

		Outstanding at <u>06/30/2007</u>
Assessment District	86-2 (Bakersfield PFA Series B)	\$ 1,090,000
	86-2A	
	86-2B	
	86-2D	
Assessment District	86-2 (Bakersfield PFA Series C)	335,000
	86-2C	
Assessment District	93-1 (Bakersfield PFA Series B)	735,000
	93-1A	
Assessment District	93-2 (Stine/Harris)	765,000
Assessment District	93-3 (Cal/Oak)	620,000
Assessment District	94-1 (Renfro-Hughes)	450,000
Assessment District	94-2 (Gosford/White)	465,000
Assessment District	94-3 (Silver Creek-Brimhall, North Seven Oaks, South Laurelglen)	3,820,000
Assessment District	96-1 (Brimhall II/Spring Meadows/Fairways/Campus Park)	615,000
Assessment District	97-1 (Spring Meadows II/Stockdale Highway Commerical)	885,000
Assessment District	98-1 (Brimhall IV/Stockdale Commercial/Gosford Industrial)	3,630,000
Assessment District	99-1 (Polo Greens/Riveroaks)	1,530,000
Assessment District	99-2 (Seven Oaks West)	2,785,000
Assessment District	01-1 (Ming at Allen/Mountain Vista; Hampton Place)	1,875,000
Assessment District	01-2 (Seven Oaks West II/Riverwalk/Southern Oaks)	6,525,000
Assessment District	01-3 (Mountain Vista/San Lauren)	4,130,000
Assessment District	02-1 (Avalon/Belsera/Montara/The Woods)	1,625,000
Assessment District	03-1 (Brighton Place /Silver Creek II)	2,715,000
Assessment District	03-2 (Buena Vista Ranch/Belsera II/ Montera II/ Olive Park II)	2,820,000
Assessment District	03-3 (Seven Oaks West III/Brighton Place)	6,040,000
Assessment District	04-1 (Countryside/The Homestead)	4,040,000
Assessment District	04-2 (BP/BV/ST@Allen Com)	4,750,000
Assessment District	04-3 (Solera/Rio Vista)	3,285,000
Assessment District	05-1 (City in the Hills)	15,595,000
Assessment District	05-3 (Liberty II/Village Green/Tesoro/Encanto)	8,705,000
Assessment District	06-1 (Etcheverry/Lin II/University Park)	<u>5,010,000</u>
		<u>\$ 84,840,000</u>

NOTE 14 - RISK MANAGEMENT**Self Insurance**

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 established a Self Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Self Insurance Fund provides coverage for up to \$500,000 for each worker's compensation claim and \$1,000,000 for each general and property damage liability claim. The City participates in a joint powers authority for worker's compensation claims in excess of coverage provided by the Fund up to \$5,000,000 and participates in a joint

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

powers authority for any excess general and property damage liability claims. All funds of the City participate in the program and are charged for their share of claim expenditures. The claims liability of \$18,449,221 at June 30, 2007 is based on the requirements of Governmental Accounting Standards Board No. 10 (GASB 10), which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. An estimate of incurred but not reported claims has been included in the liability based on the various percentages of loss reserves.

Changes in the Fund's claims liability over the last three fiscal years is shown below:

	Liability at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Liability at End of year
2004-2005	\$ 16,244,903	\$ 5,325,353	\$ 4,568,869	\$ 17,001,387
2005-2006	\$ 17,001,387	\$ 1,666,667	\$ --	\$ 18,668,054
2006-2007	\$ 18,668,054	\$ 1,485,996	\$ 1,654,829	\$ 18,499,221

Joint Powers Authority

The City has obtained excess liability coverage through the Authority for California Cities Excess Liability (ACCEL), a joint powers authority of medium-size California municipalities. ACCEL pools catastrophic general liability, automobile liability and public officials' errors and omissions losses, or purchases excess insurance, depending on market conditions. Each member's share of pooled costs will depend on the catastrophic losses of all the members. In addition, the cost to a member city will also depend on that member's own loss experience. Entities with a consistent record of costly claims will pay more than entities with a consistent record of less serious claims activity.

In order to provide funds to pay claims, or purchase excess insurance, ACCEL collects a deposit from each member. The deposits will be credited with investment income at the rate earned on the Authority's investments. Based on information received from ACCEL as of June 30, 2007 the City had \$244,028 on deposit with ACCEL out of a total of approximately \$11,236,868.

The following municipalities are also members of ACCEL: Palo Alto, Santa Barbara, Visalia, Modesto, Ontario, Santa Monica, Anaheim, Santa Cruz, Mountain View, Burbank and Monterey. A representative from each member city, appointed to the position by their respective city councils, serves on the Board of Directors of ACCEL. The Board is responsible for deciding the risks the Authority will underwrite, monitoring the costs of large claims and arranging financial programs. Each member of the Board has an equal vote in matters concerning the Authority.

A summary of the financial information for ACCEL at June 30, 2007 is as follows:

Total assets	\$ 27,717,879
Total liabilities	<u>27,621,341</u>
Total members' equity	<u>\$ 96,538</u>
Total revenues	10,486,808
Total expenses	<u>10,486,808</u>
Net decrease in members' equity	<u>\$ -0-</u>

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

As of June 30, 2007 ACCEL had no long-term debt.

Included in total liabilities is an estimated retrospectively rated refund of \$15,201,949. Complete financial statements of ACCEL can be obtained at the City's Finance Department.

NOTE 15 - COMMITMENTS AND CONTINGENCIES**General Liability**

Several claims and suits have been filed against the City in the normal course of business. In the opinion of management and the City Attorney, the potential liability of the City for such claims will not have a material adverse effect on the financial statements of the City. Also, the City has certain commitments under long-term construction projects which will be funded out of future revenues.

Bakersfield Landfill

The State of California has required environmental closure of the City's former sanitary landfill and remediation of the adjacent burn dump. Although these two waste disposal areas are adjacent to each other, the City completed the remediation of the burn dump separately, through the State's Expedited Remedial Action Program, in 1998. The cost of remediation for the burn dump of \$1.8 million was funded by the City's Refuse Service Fund and was expensed in prior fiscal years. The entire capacity of the former sanitary landfill has been used.

The closure and capping of the sanitary landfill is planned for the 2007-08 fiscal year, pending final approval by the Central Valley District of the California Regional Water Quality Control Board (RWQCB). Although the City's final landfill closure plan has received state of California approval construction cannot proceed until the RWQCB issues the WDR. Estimated final closure costs are about \$7 million with the City and Kern County each funding one-half except for landfill gas system costs, which will be paid solely by the City. The City's share of the total costs is estimated to be about \$4.3 million. The Refuse Service fund currently has approximately \$5 million in restricted assets for this purpose.

The City will be required to perform post-closure monitoring and maintenance of the landfill after it is closed and capped. This will result in an ongoing annual cost of approximately \$150,000. The City will be responsible for about \$125,000 of these annual charges because most of these costs will be for the landfill gas management system, which is the City's responsibility. City management anticipates all closure and post-closure costs being covered by annual Refuse Service fund revenues. These estimates of cost are subject to future adjustment for inflation or deflation, technology, or applicable laws or regulations.

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS**A. Plan Description**

In addition to the employee retirement benefits described in Note 12, the City provides a Retiree Medical Insurance Program in accordance with a resolution approved by City Council. Two primary plans exist. All employees with a retirement date prior to January 1, 1985, were eligible for benefits upon retirement. Post 1985 employees must retire with fifteen years accumulated service to be eligible for participation, and employees hired after April 1, 1996 must have twenty years of accumulated service upon retirement to participate. The service requirement for participation is waived for safety employees who retire with a job related disability. At June 30, 2007, 76 pre-1985 employees and 338 post-1985 employees are participating in the plans.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Employees hired after the dates listed below will not participate in either of the retiree health subsidy programs mentioned above. In lieu, the City will match up to one percent (1%) of the employee's non-mandatory contributions to their Retirement Health Savings account commencing the beginning of their sixth (6th) year of employment.

Miscellaneous Employees	February 22, 2006
Management and Supervisory	March 22, 2006
Fire Safety	May 5, 2006
Police Safety	May 24, 2006

The current City's retirees' contribution formula is three percent (3%) (of the lower of the HMO or indemnity plans, of the single-party rate under age 65) for each year of service and up to a maximum of ninety percent (90%). In addition, the City is continuing to contribute forty-two percent (42%) of the total indemnity premium for all retirees participating in the indemnity program.

On December 13, 2006, the City entered into an agreement with Phase II Systems, doing business as Public Agency Retirement Services (PARS) for trust administration services to its postretirement medical benefit plan and established a separate irrevocable trust for its postretirement medical benefit plan on January 23, 2007. Under the trust agreement, Union Bank of California, N. A. will be the Trustee and Investment Fiduciary.

B. Funding Policy

The actuarially determined postretirement benefit obligations for eligible members have not been funded since the City's plan was on a pay-as-you-go basis with no dedicated assets or funding scheme. Upon the setup of the irrevocable trust, the City has transferred approximately \$4.8 million to Union Bank of California as plan assets.

Based on the actuarial study using a valuation date of May 29, 2007, the Unfunded Actuarial Accrued Liability (UAAL) is \$108,595,000 at June 30, 2007 and the Annual Required Contribution for fiscal year 2007-08 is estimated at \$7,787,000 including normal cost of \$4,167,000 and 30 year amortization of UAAL of \$3,620,000.

C. Funded Status and Funding Progress

As of May 29, 2007, the most recent actuarial valuation date, the post-employment healthcare plan was approximately 4 percent funded. The actuarial accrued liability for benefits was \$113 million, and the actuarial value of assets was \$4.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$108 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$86 million, and the ratio of the UAAL to the covered payroll was 127 percent.

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

D. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. It also includes items such as expected turnover rates, retirement rate, future trend rates, and mortality rates.

In the May 29, 2007 actuarial valuation, the entry age actuarial cost method was used.

The following are actuarial assumptions for the Plan's most recent actuarial study:

Valuation Date:	May 29, 2007
Discount Rate:	5.75%
Mortality:	1994 GAM mortality table for males and females
Withdrawal and Retirement Rates:	Based on CalPERS Assumptions
New Entrants:	None assumed
Dependent Assumptions:	For active employees, 70% are assumed to be married at retirement. Female spouses are assumed to be three years younger than their husbands.
Participation Assumption:	100% of all future retirees eligible under the plan are expected to elect medical coverage.
Health Care Cost and Expense Trend:	12% initially

NOTE 17 - CONDUIT DEBT OBLIGATIONS

The City has been associated with the issuance of various health care, residential care, mortgage, commercial and industrial development debt issues. These debt obligations were issued under provisions of State and Federal laws that explicitly state that they do not constitute any indebtedness of the City. The City's sole involvement with these bonds was their issuance under the City's name or the City Council's authorization. As such, the following conduit debt obligations are not reflected in the accompanying basic financial statements:

Hospital Revenue Refunding Bonds, Series 1993 in the amount of \$22,220,000, with final maturity in March 2019, were issued to refinance \$18,500,000 issued July 1, 1988 to finance an ownership interest in San Joaquin Community Hospital.

Certificate of Participation, 1991 Subordinate Series B Deferred Interest Certificates in the amount of \$801,960, with final maturity in April 2021, were issued for construction and start up costs for the Bakersfield Assisted Living Center.

Refunding Certificates of Participation, Series 1993A in the amount of \$6,600,300, with final maturity in July 2020, were issued to refund \$4,695,562 of 1991 Series A and provide working capital for Bakersfield Assisted Living Center.

Historical Rehabilitation Refunding Revenue Bonds, Series 1998 in the amount of \$1,570,000, with final maturity in November 2011, were issued to refinance \$3,000,000 issued in 1981 to finance the rehabilitation of Old Church Plaza.

Multifamily Housing Revenue Bonds, Series 2006 GGG in the amount of \$3,867,794, with final maturity in May 2043, were issued to rehabilitate a 79-unit low income-senior rental housing project located at 900 4th Street.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Multifamily Housing Revenue Bonds, Series 2007 M in the amount of \$5,280,000, with final maturity in December 2039, were issued to acquire, rehabilitate, and develop an 88-unit multifamily rental housing development located at 3101 Coventry Place.

Insured Health Facility Revenue Bonds, Series 2007 A through L in the amount of \$676,250,000, with final maturity in July 2041, were issued to finance/refinance the acquisition, construction, improvement and equipping of certain medical facilities known as Bakersfield Memorial Hospital, Mercy Hospital (Truxtun Campus) and Mercy Southwest Hospital, and other related health care facilities owned and operated by Catholic Healthcare West and located in the City of Bakersfield.

The aggregate amount of all these conduit debt obligations outstanding at June 30, 2007 was approximately \$699,582,000.

NOTE 18 – SUBSEQUENT EVENTS

In the Bakersfield Public Financing Authority, on September 15, 2007, in Revenue Bond Series B a bond call was done for the amount of \$200,000, which included \$200,000 in Assessment District 93-1A. As a result, the outstanding principal of the Authorities outstanding debt was \$3,315,000 on September 15, 2007.

On August 1, 2007, City of Bakersfield issued Wastewater Revenue Bonds series 2007A and 2007B in the amount of \$190,695,000 and \$43,730,000, respectively. The proceeds of the Bonds will be used to finance the cost of certain capital improvements to the City's wastewater and sewage collection, treatment, and disposal system; to obtain a qualified reserve fund surety policy in lieu of the required deposit to the reserve account for the series 2007A Bonds; to pay interest due and payable on the series 2007A Bonds through March 15, 2008; and to pay certain costs related to the issuance of both of the series 2007A and 2007B bonds. The series 2007A bonds bear annual interest rate at the range of 4.125% to 5%. The interest and principal on the series 2007A bonds is payable semiannually on each March 15 and September 15 until the final maturity date on September 15, 2033. The series 2007B bonds initially bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by no later than 5:00 p.m. (New York City time) on Wednesday (if it is a Business Day) of each week or the next succeeding Business Day. The interest on the series 2007B bonds is payable on the first Business Day of each month, commencing September 4, 2007 until the maturity date on September 1, 2035, or the earlier redemption thereof.



CITY OF BAKERSFIELD

Required Supplementary Information

BUDGETARY INFORMATION

Through the budget process, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective use of the City's economic resources, as well as establishing that the highest priority objectives are accomplished. Budgets are adopted for all governmental fund types and are prepared on a basis consistent with generally accepted accounting principles.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on four expenditure categories; personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature and known as *recurring costs*. Capital improvement projects are asset acquisitions, facilities, systems, and infrastructure improvements typically over \$50,000, and / or those items "outside" of the normal operational budget. These are known as *one-time costs*.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue, Debt Service and Capital Projects funds. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Manager's Office and the Finance Department review all budget proposals and revenues assumptions, as well as all current financial obligations before preparing the document that is proposed to the City Council. The City Council reviews the Proposed Budget through a series of workshops, and the final adoption of the budget is normally scheduled for the second City Council meeting each June.

At the beginning of each fiscal year, certain appropriations are "carried forward" from the prior budget year. These items generally relate to either open encumbrances that exist at June 30, or capital projects that were budgeted in the prior fiscal year that did not progress to the encumbrance stage as of June 30. The City Managers Office approves all carryovers that are not encumbered as of June 30 of each year.

The amounts carried forward from fiscal year 2005-06 to fiscal year 2006-07 totaled \$252,704,472.

The following schedules represent budgetary comparisons for the General Fund and all major special revenue funds within the City of Bakersfield.

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

**Budgetary Comparison Schedule, General Fund
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1	\$ 32,060,000	\$ 41,231,657	\$ 49,961,230	\$ 8,729,573
Resources (inflows):				
Taxes	121,571,400	121,571,400	143,113,199	21,541,799
Licenses and permits	4,097,590	4,197,590	3,029,719	(1,167,871)
Intergovernmental	7,622,600	9,779,638	5,322,070	(4,457,568)
Charges for services	17,191,810	17,876,110	19,085,889	1,209,779
Fines, forfeitures and assessments	703,000	704,000	943,627	239,627
Interest income	100,000	100,000	2,965,619	2,865,619
Contributions and donations	150,000	10,360	25,152	14,792
Other	52,000	2,598,336	1,477,953	(1,120,383)
Transfers from other funds	2,250,000	2,250,000	2,250,000	-
Amount available for appropriation	\$ 153,738,400	\$ 159,087,434	\$ 178,213,228	\$ 19,125,794
Charges to appropriations (outflows):				
General government	\$ 11,819,341	\$ 12,259,952	\$ 10,600,373	\$ 1,659,579
Police	65,231,576	66,525,663	64,221,085	2,304,578
Fire	30,095,711	30,941,825	30,349,754	592,071
Public works	20,677,895	21,169,861	20,220,550	949,311
Community services	16,549,210	16,858,301	15,048,254	1,810,047
Development services	10,529,369	14,403,961	10,787,216	3,616,745
Economic development	772,122	813,352	674,619	138,733
Non-departmental	6,660,900	6,764,006	5,990,818	773,188
Contingency	250,000	250,000		250,000
Transfers to other funds	13,210,170	20,332,170	20,332,170	-
Total charges to appropriations	175,796,294	190,319,091	178,224,839	12,094,252
Amount of resources over (under) charges to appropriations	(22,057,894)	(31,231,657)	(11,611)	31,220,046
Fund balance, June 30	\$ 10,002,106	\$ 10,000,000	\$ 49,949,619	\$ 39,949,619

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

**Budgetary Comparison Schedule, Transient Occupancy Taxes
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1	\$ 475,789	\$ 1,009,216	\$ 1,009,216	\$ -
Resources (inflows):				
Taxes	7,200,000	7,200,000	7,954,228	754,228
Charges for services	5,477,087	5,477,087	6,680,152	1,203,065
Interest income			95,592	95,592
Contributions and donations	1,200,000	1,200,000	1,200,000	-
Amount available for appropriation	\$ 13,877,087	\$ 13,877,087	\$ 15,929,972	\$ 2,052,885
Charges to appropriations (outflows):				
Community services	\$ 5,674,277	\$ 5,674,277	\$ 6,973,002	\$ (1,298,725)
Non-departmental	3,844,591	3,905,844	3,865,843	40,001
Transfers to other funds	4,070,000	4,070,000	4,070,000	-
Total charges to appropriations	13,588,868	13,650,121	14,908,845	(1,258,724)
Amount of resources over (under) charges to appropriations	288,219	226,966	1,021,127	794,161
Fund balance, June 30	\$ 764,008	\$ 1,236,182	\$ 2,030,343	\$ 794,161

**Budgetary Comparison Schedule, Community Development Block Grant
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1	\$ 2,061,095	\$ 2,574,957	\$ 2,574,957	\$ -
Resources (inflows):				
Intergovernmental	6,704,124	17,867,808	4,689,402	(13,178,406)
Charges for services			882	882
Interest income	5,000	5,000	184,904	179,904
Loan payments	512,000	512,000	798,989	286,989
Note/certificate proceeds	3,750,000	5,350,000	1,600,000	(3,750,000)
Other	8,000	108,000	17,312	(90,688)
Amount available for appropriation	\$ 10,979,124	\$ 23,842,808	\$ 7,291,489	\$ (16,551,319)
Charges to appropriations (outflows):				
Development and conservation	\$ 9,145,577	\$ 15,740,016	3,264,799	\$ 12,475,217
Capital outlay	1,437,170	7,669,551	1,837,611	5,831,940
Transfer to other funds	396,379	396,378	396,378	-
Total charges to appropriations	10,979,126	23,805,945	5,498,788	18,307,157
Amount of resources over (under) charges to appropriations	(2)	36,863	1,792,701	1,755,838
Fund balance, June 30	\$ 2,061,093	\$ 2,611,820	\$ 4,367,658	\$ 1,755,838

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

**Budgetary Comparison Schedule, Gas Tax & Road Funds
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1	\$ 1,395,682	\$ 7,284,069	\$ 7,284,069	\$ -
Resources (inflows):				
Intergovernmental	68,362,798	125,144,474	24,974,382	(100,170,092)
Charges for services	40,000	40,000	45,600	5,600
Fines, forfeitures and assessments	10,000	10,000	41,438	31,438
Interest income	40,000	40,000	240,146	200,146
Other	33,331	33,331	66,130	32,799
Amount available for appropriation	\$ 68,486,129	\$ 125,267,805	\$ 25,367,696	\$ (99,900,109)
Charges to appropriations (outflows):				
Public works	\$ 4,564,633	\$ 4,604,999	\$ 4,224,195	\$ 380,804
Capital outlay	64,763,718	124,540,497	23,201,212	101,339,285
Transfers to other funds	152,500	152,500	42,777	109,723
Total charges to appropriations	69,480,851	129,297,996	27,468,184	101,829,812
Amount of resources over (under) charges to appropriations	(994,722)	(4,030,191)	(2,100,488)	1,929,703
Fund balance, June 30	\$ 400,960	\$ 3,253,878	\$ 5,183,581	\$ 1,929,703

Excess of Expenditures Over Appropriations

For the year ended June 30, 2007, expenditures over appropriations for major governmental funds were as follows:

Major Governmental Funds	Amount	Actual	Variance
Transient Occupancy Taxes- Community services	\$ 5,674,277	\$ 6,973,002	\$ (1,298,725)

These over-expenditures were funded by greater than anticipated revenues and/or fund balance in these funds.

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

DEFINED PENSION PLAN

A schedule of funding progress for the year ended June 30, 2006 (most recent actuarial dated information) including the past three actuarial valuations is presented below.

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Underfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Underfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employees Group	06/30/04	192,771,610	220,986,653	28,215,043	87.20%	38,144,465	74.0%
	06/30/05	208,030,836	237,796,477	29,765,641	87.50%	40,150,566	74.1%
	06/30/06	226,451,746	255,095,541	28,643,795	88.80%	43,527,124	65.8%
Police Safety Employees Group	06/30/04	147,387,137	194,008,124	46,620,987	76.00%	21,805,516	213.8%
	06/30/05	160,921,545	208,572,116	47,650,571	77.20%	22,543,104	211.4%
	06/30/06	175,933,055	228,096,765	52,163,710	77.10%	24,796,549	210.4%
Fire Safety Employees Group	06/30/04	119,692,263	136,596,056	16,903,793	87.60%	12,719,475	132.9%
	06/30/05	129,535,660	145,627,905	16,092,245	88.90%	13,717,142	117.3%
	06/30/06	139,944,092	156,354,757	16,410,665	89.50%	14,362,096	114.3%

OTHER POST EMPLOYMENT BENEFIT (OPEB) IRREVOCABLE TRUST

I. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of covered Payroll ((b-a)/c)
05/29/2007	4,800,000	113,395,000	108,595,000	4.2%	85,689,000	126.7%

II. Schedule of Employer Contributions

Fiscal Year	Actual Annual Contribution	Annual Required Contribution	Percentage Contribution
2007	6,675,562	6,808,000	98%

CITY OF BAKERSFIELD

Required Supplementary Information (concluded)

DEFINED BENEFIT PENSION TRUST

I. Schedules of Funding Progress (Fire - FDRF)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage Of covered Payroll</u>
06/30/98	2,667,128	2,601,952	(65,176)	103%	-0-	N/A
06/30/99	2,667,128	2,601,952	(65,176)	103%	-0-	N/A
06/30/00	2,414,689	2,383,884	(30,805)	101%	-0-	N/A
06/30/01	2,414,689	2,383,884	(30,805)	101%	-0-	N/A
06/30/02	2,271,247	2,453,467	182,220	93%	-0-	N/A
06/30/03	2,271,247	2,453,467	182,220	93%	-0-	N/A
06/30/04	1,937,190	2,119,131	181,941	91%	-0-	N/A
06/30/05	1,937,190	2,119,131	181,941	91%	-0-	N/A
06/30/06	1,686,712	1,493,173	(193,539)	113%	-0-	N/A
06/30/07	1,686,712	1,493,173	(193,539)	113%	-0-	N/A

II. Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
1998	-0-	N/A	-0-
2000	-0-	N/A	-0-
2002	19,123	N/A	-0-
2004	19,123	N/A	38,675
2005	17,746	N/A	54,228
2006	17,746	N/A	68,685
2007	17,746	N/A	68,685

Supplementary Information

CITY OF BAKERSFIELD

Statement of Changes in Assets and Liabilities**Fiduciary Funds (Trust and Agency)****For the Fiscal Year Ended June 30, 2007**

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Assets				
Cash and investments	\$ 48,346,386	\$ 51,808,398	\$ 48,346,387	\$ 51,808,397
Interest receivable	278,202	452,610	278,202	452,610
Due from other governmental agencies	84,010	145,217	84,009	145,218
	<u>48,708,598</u>	<u>52,406,225</u>	<u>48,708,598</u>	<u>52,406,225</u>
Total assets	<u>\$ 48,708,598</u>	<u>\$ 52,406,225</u>	<u>\$ 48,708,598</u>	<u>\$ 52,406,225</u>
Liabilities				
Payables:				
Payroll	\$ 2,671,803	\$ 2,797,428	\$ 2,671,803	\$ 2,797,428
Deposits	38,949,484	42,752,858	38,949,484	42,752,858
Accrued bond interest	1,782,311	2,290,939	1,782,311	2,290,939
Bonds	5,305,000	4,565,000	5,305,000	4,565,000
	<u>48,708,598</u>	<u>52,406,225</u>	<u>48,708,598</u>	<u>52,406,225</u>
Total liabilities	<u>\$ 48,708,598</u>	<u>\$ 52,406,225</u>	<u>\$ 48,708,598</u>	<u>\$ 52,406,225</u>

Non-Major Governmental Funds

CITY OF BAKERSFIELD

Combining Balance Sheet**Nonmajor Governmental Funds****June 30, 2007**

	Special Revenue Funds		Debt Service Funds	
	State (TDA) Transportation	State Safety	General Obligation Debt	Public Financing Authority
Assets:				
Cash and investments	\$ 158,737	\$ 1,008,014	\$ -	\$ 2,623,411
Interest receivable	1,886	15,380		48,209
Due from other governmental agencies	2,400			
Total assets	<u>\$ 163,023</u>	<u>\$ 1,023,394</u>	<u>\$ -</u>	<u>\$ 2,671,620</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 12,562	\$ 63,203	\$ -	\$ -
Due to other funds				402,475
Unearned revenue	150,461			
Total liabilities	<u>163,023</u>	<u>63,203</u>	<u>-</u>	<u>402,475</u>
Fund Balances:				
Reserved for:				
Encumbrances	1,447	488,002		
Debt service				2,225,000
Unreserved:				
Designated for -				
Capital improvements				
Debt service				44,145
Undesignated	(1,447)	472,189		
Total fund balances	<u>-</u>	<u>960,191</u>	<u>-</u>	<u>2,269,145</u>
Total liabilities and fund balances	<u>\$ 163,023</u>	<u>\$ 1,023,394</u>	<u>\$ -</u>	<u>\$ 2,671,620</u>

<u>Capital Projects Fund</u>	
<u>Public Financing Authority</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 375,191	\$ 4,165,353 65,475 2,400
<u>\$ 375,191</u>	<u>\$ 4,233,228</u>
\$ -	\$ 75,765 402,475 150,461
<u>-</u>	<u>628,701</u>
	489,449 2,225,000
	- 44,145 845,933
<u>375,191</u>	<u>3,604,527</u>
<u>\$ 375,191</u>	<u>\$ 4,233,228</u>

CITY OF BAKERSFIELD**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2007**

	Special Revenue Funds		Debt Service Fund	
	State (TDA) Transportation	State Safety	General Obligation Debt	Public Financing Authority
Revenues:				
Intergovernmental	\$ 226,147	\$ 581,924	\$ -	\$ -
Charges for services		184,872		
Fines, forfeitures and assessments		1,226,047		
Interest income	8,135	56,949		144,625
	<u>234,282</u>	<u>2,049,792</u>	<u>-</u>	<u>144,625</u>
Total revenues	234,282	2,049,792	-	144,625
Expenditures:				
Current:				
General government				
Public safety - Police		714,928		
Public works	205,543			
Community Services	26,339			
Non departmental				
Capital outlay	2,400	94,575		
Debt service:				
Principal retirement			177,000	1,780,000
Interest and fiscal charges			219,378	378,689
	<u>234,282</u>	<u>809,503</u>	<u>396,378</u>	<u>2,158,689</u>
Total expenditures	234,282	809,503	396,378	2,158,689
Excess (deficiency) of revenues over (under) expenditures		1,240,289	(396,378)	(2,014,064)
Other financing sources (uses):				
Operating transfers in			396,378	2,010,000
Operating transfers out		(900,000)		
	<u>-</u>	<u>(900,000)</u>	<u>396,378</u>	<u>2,010,000</u>
Total other financing sources (uses)	-	(900,000)	396,378	2,010,000
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses		340,289		(4,064)
Fund balances - July 1		619,902		2,273,209
Fund balances - June 30	\$ -	\$ 960,191	\$ -	\$ 2,269,145

<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Public Financing Authority</u>	
\$ -	\$ 808,071
2,032,608	2,217,480
18,331	1,226,047
<u>2,050,939</u>	<u>228,040</u>
	<u>4,479,638</u>
3,973	3,973
	714,928
	205,543
	26,339
	96,975
	1,957,000
	<u>598,067</u>
<u>3,973</u>	<u>3,602,825</u>
2,046,966	876,813
<u>(2,010,000)</u>	2,406,378
<u>(2,010,000)</u>	<u>(2,910,000)</u>
<u>(2,010,000)</u>	<u>(503,622)</u>
36,966	373,191
<u>338,225</u>	<u>3,231,336</u>
<u>\$ 375,191</u>	<u>\$ 3,604,527</u>



Internal Service Funds

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis.

Self-Insurance Fund is used to account for the cost of operating a self-insurance program as follows:

With regard to workers' compensation, the City is self-insured for the first \$500,000 of each injury or occurrence and is a member of the California Public Entity Insurance Authority (CPEIA) which provides \$5,000,000 of excess coverage to protect against catastrophic type losses. Funding for this program is provided by interdepartmental charges varying by employee classification and their industrial injury loss experience.

With regard to general and auto liability, the City is self-insured for the first \$1,000,000 of each accident or occurrence and is a member of the Authority for California Cities Excess Liability (ACCEL) which provides excess commercial insurance in the amount of \$10,000,000. Funding for this program is provided by interdepartmental charges.

Equipment Management Fund is used to account for the cost of operating and maintaining a maintenance facility for vehicular, telecommunications and computer equipment used by other City departments. Such costs are billed to other departments via established rates which are based upon actual cost. Actual costs include maintenance, repair, and replacement cost of shop and automotive equipment.

CITY OF BAKERSFIELD

**Combining Statement of Net Assets
All Internal Service Funds
June 30, 2007**

	<u>Self- Insurance</u>	<u>Equipment Management</u>	<u>Totals</u>
Assets:			
Current assets			
Cash and investments	\$ 25,137,817	\$ 20,123,831	\$ 45,261,648
Accounts receivable, net	251,648	21,371	273,019
Interest receivable	310,907	257,231	568,138
Loans		139,722	139,722
Due from other governmental agencies	41,640	2,641	44,281
Prepayments and inventories	13,000	1,296,831	1,309,831
Total current assets	<u>25,755,012</u>	<u>21,841,627</u>	<u>47,596,639</u>
Noncurrent assets			
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net		27,571,361	27,571,361
Note/loan receivable		785,000	785,000
Total noncurrent assets	<u>-</u>	<u>28,356,361</u>	<u>28,356,361</u>
Total assets	<u>25,755,012</u>	<u>50,197,988</u>	<u>75,953,000</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	234,539	1,232,058	1,466,597
Claims payable	1,944,600		1,944,600
Workers compensation claims	3,523,868		3,523,868
Compensated absences payable		610,294	610,294
Total current liabilities	<u>5,703,007</u>	<u>1,842,352</u>	<u>7,545,359</u>
Noncurrent liabilities:			
Workers compensation claims	13,030,753		13,030,753
Compensated absences payable	4,129	82,194	86,323
Deferred revenue	46,464		46,464
Total noncurrent liabilities	<u>13,081,346</u>	<u>82,194</u>	<u>13,163,540</u>
Total liabilities	<u>18,784,353</u>	<u>1,924,546</u>	<u>20,708,899</u>
Net assets:			
Invested in capital assets, net of related debt		27,571,361	27,571,361
Unrestricted	6,970,659	20,702,081	27,672,740
Total net assets	<u>\$ 6,970,659</u>	<u>\$ 48,273,442</u>	<u>\$ 55,244,101</u>

CITY OF BAKERSFIELD

Combining Statement of Activities and Changes in Net Assets**All Internal Service Funds****For the Fiscal Year Ended June 30, 2007**

	Self- Insurance	Equipment Management	Totals
Operating revenues:			
Intergovernmental	\$ -	\$ 23,748	\$ 23,748
Charges for services	10,091,391	19,396,771	29,488,162
Cost recoveries	667,371		667,371
Miscellaneous	5,035	33,863	38,898
	<hr/>	<hr/>	<hr/>
Total operating revenues	10,763,797	19,454,382	30,218,179
Operating expenses:			
General and administrative	4,221,558	7,073,423	11,294,981
Fuel, oil and lubricants		3,804,338	3,804,338
Equipment parts and supplies		4,864,302	4,864,302
Insurance and bonds	1,225,190		1,225,190
Workers' compensation payments	1,173,994		1,173,994
Claims paid	1,057,717		1,057,717
Contractual services	483,090		483,090
Depreciation		5,114,973	5,114,973
Compensated absences		1,187	1,187
	<hr/>	<hr/>	<hr/>
Total operating expenses	8,161,549	20,858,223	29,019,772
Operating income (loss)	<hr/>	<hr/>	<hr/>
	2,602,248	(1,403,841)	1,198,407
Nonoperating revenues (expenses):			
Interest income	1,070,942	1,080,535	2,151,477
Net increase (decrease) in the fair value of investments	169,996		169,996
Contributions		1,159,473	1,159,473
Loss on sale of property		(81,266)	(81,266)
Sales of equipment		256,183	256,183
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	1,240,938	2,414,925	3,655,863
Income before operating transfers	3,843,186	1,011,084	4,854,270
Operating transfers in		5,140,647	5,140,647
	<hr/>	<hr/>	<hr/>
Change in net assets	3,843,186	6,151,731	9,994,917
Total Net Assets - Beginning of Year	<hr/>	<hr/>	<hr/>
	3,127,473	42,121,711	45,249,184
Total Net Assets - End of Year	<hr/>	<hr/>	<hr/>
	\$ 6,970,659	\$ 48,273,442	\$ 55,244,101

CITY OF BAKERSFIELD

Combining Statement of Cash Flows**All Internal Service Funds****For the Fiscal Year Ended June 30, 2007**

	Self- Insurance	Equipment Management	Totals
Cash flows from operating activities:			
Cash received from:			
Customers	\$ 11,292,265	\$ 19,450,883	\$ 30,743,148
Prior year reimbursements and cost recoveries	(672,406)	6,370	(666,036)
Cash paid to:			
Suppliers	(6,868,704)	(11,163,143)	(18,031,847)
Employees	(1,449,816)	(3,892,724)	(5,342,540)
Net cash provided by operating activities	<u>2,301,339</u>	<u>4,401,386</u>	<u>6,702,725</u>
Cash flows from noncapital financing activities:			
Cash transferred from other funds		5,140,647	5,140,647
Net cash provided by noncapital financing activities	<u>-</u>	<u>5,140,647</u>	<u>5,140,647</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets		(11,552,233)	(11,552,233)
Proceeds from sale of capital assets		256,183	256,183
Net cash used by capital and related financing activities	<u>-</u>	<u>(11,296,050)</u>	<u>(11,296,050)</u>
Cash flows from investing activities:			
Decrease in long term receivable		139,722	139,722
Loan from RiverWalk Park		1,140,000	1,140,000
Interest received	976,252	836,485	1,812,737
Net increase in the fair value of investments	169,996	179,709	349,705
Net cash provided by investing activities	<u>1,146,248</u>	<u>2,295,916</u>	<u>3,442,164</u>
Net increase (decrease) in cash	3,447,587	541,899	3,989,486
Cash and cash equivalents - Beginning of year	21,690,230	19,581,932	41,272,162
Cash and cash equivalents - End of year	<u>\$ 25,137,817</u>	<u>\$ 20,123,831</u>	<u>\$ 45,261,648</u>

Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:

Operating income (loss)	\$ 2,602,248	\$ (1,403,841)	\$ 1,198,407
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense		5,114,973	5,114,973
(Increase) decrease in accounts/notes receivable	(130,939)	5,512	(125,427)
(Increase) decrease in inventories		(124,471)	(124,471)
Decrease in prepaid items	(13,000)		(13,000)
Increase (decrease) in accounts payable	17,006	787,814	804,820
Increase in workers compensation claims	(168,833)		(168,833)
Increase (decrease) in deferred revenue	(3,860)		(3,860)
Increase (decrease) in compensated absences	(1,283)	21,399	20,116
Net cash provided by operating activities	<u>\$ 2,301,339</u>	<u>\$ 4,401,386</u>	<u>\$ 6,702,725</u>

General Fund

This fund was established to account for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, public works and community services.

Revenues are recorded by source, i.e., taxes, licenses and permits, etc. Expenditures are made primarily on current day-to-day operations and are recorded by major functional classifications and by operating departments.

This fund accounts for all financial transactions not accounted for in another fund.

CITY OF BAKERSFIELD

**Balance Sheet
General Fund
June 30, 2007**

	<u>General Fund</u>
Assets:	
Cash and investments	\$ 42,373,031
Accounts receivable, net	2,013,168
Interest receivable	622,638
Due from other governmental agencies	11,806,398
Due from other funds	402,475
Prepaid items	<u>6,240</u>
 Total assets	 <u>\$ 57,223,950</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 2,558,518
Due to federal	259,780
Unearned revenue	1,399,957
Deferred revenue	<u>3,056,076</u>
 Total liabilities	 <u>7,274,331</u>
Fund Balances:	
Reserved for:	
Petty cash	22,545
Prepaid items	
Encumbrances	2,933,414
Cash basis	11,159,944
Unreserved:	
Designated for current projects	298,110
Designated for compensated absences	5,928,547
Undesignated	<u>29,607,059</u>
 Total fund balances	 <u>49,949,619</u>
 Total liabilities and fund balances	 <u>\$ 57,223,950</u>

CITY OF BAKERSFIELD**Schedule of Revenues, Expenditures and Changes in Fund Balances (continued)****General Fund - Budget and Actual****For the Fiscal Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes:			
Property taxes	\$ 47,386,400	\$ 62,324,076	\$ 14,937,676
Sales and use taxes	63,000,000	68,367,251	5,367,251
Property transfer tax	1,800,000	1,807,002	7,002
Utility franchise tax	4,295,000	4,970,158	675,158
Business license tax	2,850,000	3,404,712	554,712
In lieu and other taxes	2,240,000	2,240,000	-
Total taxes	<u>121,571,400</u>	<u>143,113,199</u>	<u>21,541,799</u>
Licenses and permits:			
Building permits	3,190,650	1,865,158	(1,325,492)
Planning permits	100,740	113,708	12,968
Public works permits	260,000	435,751	175,751
Police permits	154,500	139,479	(15,021)
Fire permits	237,000	241,345	4,345
Other licenses and permits	254,700	234,278	(20,422)
Total licenses and permits	<u>4,197,590</u>	<u>3,029,719</u>	<u>(1,167,871)</u>
Intergovernmental:			
Federal grants	1,259,246	690,599	(568,647)
State of California	8,105,392	4,122,557	(3,982,835)
Other grants	415,000	508,914	93,914
Total intergovernmental	<u>9,779,638</u>	<u>5,322,070</u>	<u>(4,457,568)</u>
Charges for services:			
Building	3,177,200	2,089,498	(1,087,702)
Planning	1,212,600	721,751	(490,849)
Public works	3,107,310	3,291,976	184,666
Police	687,000	608,656	(78,344)
Fire	3,214,000	4,415,776	1,201,776
Recreation and parks	648,000	898,311	250,311
Interfund charges	5,358,700	6,478,174	1,119,474
Other charges	471,300	581,747	110,447
Total charges for services	<u>17,876,110</u>	<u>19,085,889</u>	<u>1,209,779</u>
Fines, forfeitures and assessments	<u>704,000</u>	<u>943,627</u>	<u>239,627</u>
Miscellaneous:			
Interest income	100,000	2,162,332	2,062,332
Net decrease in the fair value of investments		803,287	803,287
Contributions and donations	10,360	25,152	14,792
Other	2,598,336	1,477,953	(1,120,383)
Total miscellaneous	<u>2,708,696</u>	<u>4,468,724</u>	<u>1,760,028</u>
Total revenues	<u>156,837,434</u>	<u>175,963,228</u>	<u>19,125,794</u>

CITY OF BAKERSFIELD

Schedule of Revenues, Expenditures and Changes in Fund Balances (concluded)**General Fund - Budget and Actual****For the Fiscal Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures:			
Current:			
General government	12,259,952	10,600,373	1,659,579
Police	66,525,663	64,221,085	2,304,578
Fire	30,941,825	30,349,754	592,071
Public works	21,169,861	20,220,550	949,311
Community services	16,858,301	15,048,254	1,810,047
Development services	14,403,961	10,787,216	3,616,745
Economic/Community development	813,352	674,619	138,733
Non departmental	6,764,006	5,990,818	773,188
Contingency	250,000		250,000
	<u>169,986,921</u>	<u>157,892,669</u>	<u>12,094,252</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(13,149,487)</u>	<u>18,070,559</u>	<u>31,220,046</u>
Other financing sources (uses):			
Transfers in	2,250,000	2,250,000	-
Transfers out	<u>(20,332,170)</u>	<u>(20,332,170)</u>	<u>-</u>
Total other financing sources (uses)	<u>(18,082,170)</u>	<u>(18,082,170)</u>	<u>-</u>
Net change in fund balances	(31,231,657)	(11,611)	31,220,046
Fund balances - beginning	<u>41,231,657</u>	<u>49,961,230</u>	<u>8,729,573</u>
Fund balances - ending	<u>\$ 10,000,000</u>	<u>\$ 49,949,619</u>	<u>\$ 39,949,619</u>

CITY OF BAKERSFIELD

**Schedule of Expenditures by Department - General Fund
Budgetary Level of Control-Budget and Actual
For the Fiscal Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
General Government:			
Mayor	\$ 158,878	\$ 137,868	\$ 21,010
Council	291,322	310,718	(19,396)
City manager	1,030,038	912,788	117,250
City clerk	750,751	707,323	43,428
Human resources	1,631,943	1,415,262	216,681
Information technology	3,788,193	3,192,134	596,059
Financial services	2,608,369	2,427,478	180,891
City attorney	2,000,458	1,496,802	503,656
	<u>12,259,952</u>	<u>10,600,373</u>	<u>1,659,579</u>
Public Safety:			
Police	66,525,663	64,221,085	2,304,578
Fire	30,941,825	30,349,754	592,071
	<u>97,467,488</u>	<u>94,570,839</u>	<u>2,896,649</u>
Public Works:			
Administration	611,401	628,507	(17,106)
Engineering	6,985,062	6,454,970	530,092
General services	7,149,624	7,074,133	75,491
Streets and roads	6,423,774	6,062,940	360,834
	<u>21,169,861</u>	<u>20,220,550</u>	<u>949,311</u>
Community Services:			
Administration	1,294,333	1,165,782	128,551
Recreation	3,388,867	2,711,452	677,415
Parks	12,175,101	11,171,020	1,004,081
	<u>16,858,301</u>	<u>15,048,254</u>	<u>1,810,047</u>
Development Services:			
Planning	6,269,130	4,100,031	2,169,099
Building	8,134,831	6,687,185	1,447,646
	<u>14,403,961</u>	<u>10,787,216</u>	<u>3,616,745</u>
Economic/Community Development	<u>813,352</u>	<u>674,619</u>	<u>138,733</u>
Non departmental	<u>6,764,006</u>	<u>5,990,818</u>	<u>773,188</u>
Contingency	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total General Fund Expenditures	<u>\$ 169,986,921</u>	<u>\$ 157,892,669</u>	<u>\$ 12,094,252</u>



Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Transient Occupancy Tax Fund is used to account for Transient Occupancy Tax Revenues (Hotel Tax) and expenditures funded by this revenue source. The Centennial Garden and Convention Center operating revenues and expenses are recorded in this fund.

Community Development Block Grant Fund is used to account for resources provided by the Federal Housing and Community Development Act of 1974 for the elimination of slums and blight, housing conservation and improvements of community services.

Gas Tax & Road Fund is used to account for the City's share, based upon population, of state gasoline taxes. State law requires these gasoline taxes be used to maintain streets or for major street construction. This fund also accounts for the resources provided by the Transportation Equity Act for the 21st Century (TEA21). These resources are less restrictive than in past programs but are still limited to transportation projects approved in the Transportation Improvement Program. Congestion Mitigation and Air Quality funds (CMAQ) are used in the metropolitan Bakersfield area to fund transportation projects in the Transportation Improvement Program. Regional Surface Transportation Program (STP) is funded by Federal -aid functionally classified higher than local road or rural minor collector. Transportation Enhancement Activities (TEA) Program projects have a direct relationship to the intermodal transportation system by function, proximity, or impact. Last, the Bridge Replacement and Rehabilitation Program (HBRR) allows each local agency two bridge replacement projects and two miscellaneous projects per year.

State (TDA) Transportation Fund is used to account for three Transportation Development Act funding sources. Article 3 funds are used to construct facilities that specifically benefit pedestrians and / or bicyclists. Article 4 funds are Local Transportation and State Transit Assistance Funds. These resources are used to cover the City's maintenance and operation costs of the Bakersfield Amtrak Railway Station. The City is the owner of the station and leases the facility to Amtrak, who operates the transit service. These resources are used solely for the expenses incurred by the City as owner of the facility. Article 8 funds represent the City's allocation of the ¼ % of sales tax authorized by SB 325. State law requires these sales tax dollars to be used for street purposes. These funds are received and expended by the City as lead agency in servicing the local road network. All three revenue sources are accounted for individually as required by the State of California, but are combined for financial reporting purposes. The City currently receives only Article 3 and Article 4 money.

State Safety Fund is used to account for the City's share of traffic fine resources which are transferred to the General Fund to assist in funding the cost of traffic safety and control devices and State monies from the Supplemental Law Enforcement Services grant. Both of these revenue sources are accounted for individually as required by the state, but combined for financial reporting purposes.

CITY OF BAKERSFIELD

**Combining Balance Sheet
All Special Revenue Funds
June 30, 2007**

	Transient Occupancy Taxes	Community Development Block Grant	Gas Tax & Road Fund	State (TDA) Transportation
Assets:				
Cash and investments	\$ 1,039,105	\$ 4,295,815	\$ 134,201	\$ 158,737
Accounts receivable, net	974,776	175,285	22,031	
Interest receivable	16,536	31,162	77,822	1,886
Due from other governmental agencies		764,550	10,326,043	2,400
Loans receivable		4,785,375	1,611,386	
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 2,030,417	\$ 10,052,187	\$ 12,171,483	\$ 163,023
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 74	\$ 760,052	\$ 3,472,871	\$ 12,562
Unearned revenue			3,493,000	150,461
Deferred revenue		4,924,477	22,031	
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	74	5,684,529	6,987,902	163,023
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:				
Reserved for:				
Encumbrances		6,147,987	16,584,985	1,447
Unreserved:				
Designated for compensated absences	50,721		83,472	
Undesignated	1,979,622	(1,780,329)	(11,484,876)	(1,447)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	2,030,343	4,367,658	5,183,581	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 2,030,417	\$ 10,052,187	\$ 12,171,483	\$ 163,023
	<hr/>	<hr/>	<hr/>	<hr/>

<u>State Safety</u>	<u>Total</u>
\$ 1,008,014	\$ 6,635,872
	1,172,092
15,380	142,786
	11,092,993
	6,396,761
<u>\$ 1,023,394</u>	<u>\$ 25,440,504</u>

\$ 63,203	\$ 4,308,762
	3,643,461
	4,946,508
<u>63,203</u>	<u>12,898,731</u>

488,002	23,222,421
	134,193
<u>472,189</u>	<u>(10,814,841)</u>
<u>960,191</u>	<u>12,541,773</u>
<u>\$ 1,023,394</u>	<u>\$ 25,440,504</u>

CITY OF BAKERSFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**All Special Revenue Funds****Year Ended June 30, 2007**

	Transient Occupancy Taxes	Community Development Block Grant	Gas Tax & Road Fund	State (TDA) Transportation
Revenues:				
Taxes	\$ 7,954,228	\$ -	\$ -	\$ -
Intergovernmental		4,689,402	24,974,382	226,147
Charges for services	6,680,152	882	45,600	
Fines, forfeitures and assessments			41,438	
Interest income	95,592	184,904	240,146	8,135
Loan payments		798,989		
Contributions and donations	1,200,000			
Other	-	17,312	66,130	
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	15,929,972	5,691,489	25,367,696	234,282
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
Public safety - Police				
Public works			4,224,195	205,543
Community services	6,973,002			26,339
Economic/Community development		3,264,799		
Non departmental	3,865,843			
Capital outlay:				
Transportation		904,590	23,070,527	
Public facilities		933,021		2,400
Equipment			130,685	
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	10,838,845	5,102,410	27,425,407	234,282
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	5,091,127	589,079	(2,057,711)	
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Note/certificate proceeds		1,600,000		
Operating transfers out	(4,070,000)	(396,378)	(42,777)	
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing uses	(4,070,000)	1,203,622	(42,777)	
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures and other uses	1,021,127	1,792,701	(2,100,488)	
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - July 1	1,009,216	\$ 2,574,957	\$ 7,284,069	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - June 30	\$ 2,030,343	\$ 4,367,658	\$ 5,183,581	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

State Safety	Total
\$ -	\$ 7,954,228
581,924	30,471,855
184,872	6,911,506
1,226,047	1,267,485
56,949	585,726
	798,989
	1,200,000
	83,442
<u>2,049,792</u>	<u>49,273,231</u>
714,928	714,928
	4,429,738
	6,999,341
	3,264,799
	3,865,843
	23,975,117
94,575	1,029,996
	130,685
<u>809,503</u>	<u>44,410,447</u>
1,240,289	4,862,784
	1,600,000
<u>(900,000)</u>	<u>(5,409,155)</u>
<u>(900,000)</u>	<u>(3,809,155)</u>
340,289	1,053,629
\$ 619,902	11,488,144
<u>\$ 960,191</u>	<u>\$ 12,541,773</u>

CITY OF BAKERSFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (continued)**Budget and Actual - All Special Revenue Funds****Year Ended June 30, 2007**

	Transient Occupancy Taxes		Variance with Final Budget
	Budget	Actual	
Revenues:			
Taxes	\$ 7,200,000	\$ 7,954,228	\$ 754,228
Intergovernmental			
Charges for services	5,477,087	6,680,152	1,203,065
Fines, forfeitures and assessments			
Interest income		95,592	95,592
Loan payments			
Contributions and donations	1,200,000	1,200,000	
Other			
Total revenues	<u>13,877,087</u>	<u>15,929,972</u>	<u>2,052,885</u>
Expenditures:			
Current:			
Public safety - Police			
Public works			
Community services	5,674,277	6,973,002	(1,298,725)
Development and conservation			
Non departmental	3,905,844	3,865,843	40,001
Capital outlay:			
Transportation:			
Traffic control			
Streets/Freeways			
Bridges			
Curbs, gutters and sidewalks			
Public facilities:			
Buildings			
Land acquisition			
Other improvements			
Equipment:			
Computers			
Non-automotive			
Total expenditures	<u>9,580,121</u>	<u>10,838,845</u>	<u>(1,258,724)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,296,966</u>	<u>5,091,127</u>	<u>794,161</u>
Other financing sources (uses):			
Note/certificate proceeds			
Transfers out	<u>(4,070,000)</u>	<u>(4,070,000)</u>	
Total other financing uses	<u>(4,070,000)</u>	<u>(4,070,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	226,966	1,021,127	794,161
Fund balances - July 1	<u>1,009,216</u>	<u>1,009,216</u>	
Fund balances - June 30	<u>\$ 1,236,182</u>	<u>\$ 2,030,343</u>	<u>\$ 794,161</u>

Community Development Block Grant			Gas Tax & Road Fund		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,867,808	4,689,402	(13,178,406)	125,144,474	24,974,382	(100,170,092)
	882	882	40,000	45,600	5,600
			10,000	41,438	31,438
5,000	184,904	179,904	40,000	240,146	200,146
512,000	798,989	286,989			
108,000	17,312	(90,688)	33,331	66,130	32,799
18,492,808	5,691,489	(12,801,319)	125,267,805	25,367,696	(99,900,109)
			4,604,999	4,224,195	380,804
15,740,016	3,264,799	12,475,217			
			4,666,295	1,023,588	3,642,707
2,643,128	904,590	1,738,538	113,023,622	17,765,779	95,257,843
			5,289,927	4,281,160	1,008,767
3,124,309	933,021	2,191,288			
1,658,944		1,658,944			
243,170		243,170			
			1,560,653	130,685	1,429,968
23,409,567	5,102,410	18,307,157	129,145,496	27,425,407	101,720,089
(4,916,759)	589,079	5,505,838	(3,877,691)	(2,057,711)	1,819,980
5,350,000	1,600,000	(3,750,000)			
(396,378)	(396,378)		(152,500)	(42,777)	109,723
4,953,622	1,203,622	(3,750,000)	(152,500)	(42,777)	109,723
36,863	1,792,701	1,755,838	(4,030,191)	(2,100,488)	1,929,703
2,574,957	2,574,957		7,284,069	7,284,069	
\$ 2,611,820	\$ 4,367,658	\$ 1,755,838	\$ 3,253,878	\$ 5,183,581	\$ 1,929,703

CITY OF BAKERSFIELD**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (concluded)****Budget and Actual - All Special Revenue Funds****Year Ended June 30, 2007**

	State (TDA) Transportation		
	Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	319,200	226,147	(93,053)
Charges for services			
Fines, forfeitures and assessments			
Interest income	3,000	8,135	5,135
Loan payments			
Contributions and donations			
Other			
Total revenues	<u>322,200</u>	<u>234,282</u>	<u>(87,918)</u>
Expenditures:			
Current:			
Public safety - Police			
Public works	293,581	205,543	88,038
Community services	32,800	26,339	6,461
Development services			
Non departmental			
Capital outlay:			
Transportation:			
Traffic control			
Streets/Freeways			
Bridges			
Public facilities:			
Buildings			
Land acquisition			
Other improvements	2,400	2,400	
Equipment:			
Computers			
Non-automotive			
Total expenditures	<u>328,781</u>	<u>234,282</u>	<u>94,499</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,581)</u>	<u>-</u>	<u>6,581</u>
Other financing sources (uses):			
Note/certificate proceeds			
Operating transfers in			
Operating transfers out			
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>(6,581)</u>		<u>6,581</u>
Fund balances - July 1 as restated (Note 19)	<u>-</u>	<u>-</u>	
Fund balances - June 30	<u>\$ (6,581)</u>	<u>\$ -</u>	<u>\$ 6,581</u>

State Safety			Totals		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ 7,200,000	\$ 7,954,228	\$ 754,228
606,924	581,924	(25,000)	143,938,406	30,471,855	(113,466,551)
200,000	184,872	(15,128)	5,717,087	6,911,506	1,194,419
1,300,000	1,226,047	(73,953)	1,310,000	1,267,485	(42,515)
	56,949	56,949	48,000	585,726	537,726
			512,000	798,989	286,989
			1,200,000	1,200,000	-
			141,331	83,442	(57,889)
<u>2,106,924</u>	<u>2,049,792</u>	<u>(57,132)</u>	<u>160,066,824</u>	<u>49,273,231</u>	<u>(110,793,593)</u>
976,924	714,928	261,996	976,924	714,928	261,996
			4,898,580	4,429,738	468,842
			5,707,077	6,999,341	(1,292,264)
			15,740,016	3,264,799	12,475,217
			3,905,844	3,865,843	40,001
			4,666,295	1,023,588	3,642,707
			115,666,750	18,670,369	96,996,381
			5,289,927	4,281,160	1,008,767
545,730	94,575	451,155	3,670,039	1,027,596	2,642,443
			1,658,944	-	1,658,944
			245,570	2,400	243,170
280,000		280,000	280,000	-	280,000
			1,560,653	130,685	1,429,968
<u>1,802,654</u>	<u>809,503</u>	<u>993,151</u>	<u>164,266,619</u>	<u>44,410,447</u>	<u>119,856,172</u>
304,270	1,240,289	936,019	(4,199,795)	4,862,784	9,062,579
			5,350,000	1,600,000	(3,750,000)
(900,000)	(900,000)		-	-	-
			(5,518,878)	(5,409,155)	109,723
(900,000)	(900,000)	-	(168,878)	(3,809,155)	(3,640,277)
(595,730)	340,289	936,019	(4,368,673)	1,053,629	5,422,302
619,902	619,902	-	11,488,144	11,488,144	-
<u>\$ 24,172</u>	<u>\$ 960,191</u>	<u>\$ 936,019</u>	<u>\$ 7,119,471</u>	<u>\$ 12,541,773</u>	<u>\$ 5,422,302</u>



Debt Service Funds

These funds account for the accumulation of resources and payment of general long-term debt principal and interest not serviced by Proprietary Funds.

Public Financing Authority Debt Service Fund is used to accumulate monies for the payment of the Bakersfield Public Financing Authority Revenue Bonds of 1994. The Bonds were issued to purchase local obligations of the City of Bakersfield in Series A, B and C and fund a debt service reserve (\$5,865,000). Series A bonds were used to purchase local obligations for the Convention Center Ballroom project (\$2,125,000) and two road and bridge projects within the City (\$10,345,000). Series B bonds were used to purchase local obligations for the Convention Center Meeting Room project (\$625,000), the refinance of Assessment District 86-2A, B and D (\$9,660,000), and the construction and installation of the Northeast Sewer system improvements with Assessment District 93-1A (\$9,775,000). Series C Bonds were used to purchase local obligations for the refinance of Assessment District 86-2C (\$1,520,000) and the construction and installation of the Northeast Gas transmission facilities with Assessment District 93-1B (\$805,000).

General Obligation Debt Service Fund is used to accumulate monies for the payment of \$4,900,000 section 108 loans received in 2003. The proceeds of the loan were dedicated to construction of the McMurtrey Aquatic Center Recreational Facility (\$3.3M), the rehabilitation of Jefferson Park swimming pool (\$300,000), the Martin Luther King swimming pool (\$300,000), construction of a training facility in southeast Bakersfield (\$200,000) and funding assistance for street improvements in southeast Bakersfield (\$800,000), and a mixed use of facility loan to help with the revitalization of the Baker Street Area in Old Town Kern (\$1,000,000). The notes are due in annual installments of \$150,000 to \$220,000 plus interest at 1.61% to 4.76% with a scheduled final maturity in August 2024. Community Development Block Grant Funds are used to service this debt.

CITY OF BAKERSFIELD

Combining Balance Sheet**All Debt Service Funds****June 30, 2007**

	Public Financing Authority	General Obligation Debt	Total
Assets:			
Cash and investments	\$ 2,623,411	\$ -	\$ 2,623,411
Interest receivable	48,209		48,209
Total assets	<u>\$ 2,671,620</u>	<u>\$ -</u>	<u>\$ 2,671,620</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	\$ 402,475	\$ -	\$ 402,475
Fund Balances:			
Reserved for- Debt service	2,225,000		2,225,000
Unreserved- Debt service	44,145		44,145
Total fund balances	<u>2,269,145</u>	<u>-</u>	<u>2,269,145</u>
Total liabilities and fund balances	<u>\$ 2,671,620</u>	<u>\$ -</u>	<u>\$ 2,671,620</u>

CITY OF BAKERSFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**All Debt Service Funds****For the Fiscal Year Ended June 30, 2007**

	Public Financing Authority	General Obligation Debt	Total
Revenues:			
RDA Reimbursement	\$ -	\$ -	\$ -
Interest income	144,625		144,625
Total revenues	144,625	-	144,625
Expenditures-			
Debt service:			
Principal retirement	1,780,000	177,000	1,957,000
Interest and fiscal charges	378,689	219,378	598,067
Total expenditures	2,158,689	396,378	2,555,067
Deficiency of revenues under expenditures	(2,014,064)	(396,378)	(2,410,442)
Other financing sources-			
Operating transfers in	2,010,000	396,378	2,406,378
Total other financing sources	2,010,000	396,378	2,406,378
Deficiency of revenues and other sources over expenditures	(4,064)		(4,064)
Fund balances - July 1	2,273,209	-	2,273,209
Fund balances - June 30	\$ 2,269,145	\$ -	\$ 2,269,145

CITY OF BAKERSFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**Budget and Actual - All Debt Service Funds****For the Fiscal Year Ended June 30, 2007**

	Public Financing Authority		
	Budget	Actual	Variance with Final Budget
Revenues-			
RDA Reimbursement	\$ -	\$ -	\$ -
Interest income	144,625	144,625	-
Total revenues	144,625	144,625	-
Expenditures-			
Debt service:			
Principal retirement	1,780,000	1,780,000	-
Interest and fiscal charges	374,673	378,689	(4,016)
Total expenditures	2,154,673	2,158,689	(4,016)
Deficiency of revenues under expenditures	(2,010,048)	(2,014,064)	(4,016)
Other financing sources-			
Operating transfers in	2,010,000	2,010,000	-
Total other financing sources	2,010,000	2,010,000	-
Deficiency of revenues and other sources under expenditures	(48)	(4,064)	(4,016)
Fund balances - July 1	2,273,209	2,273,209	-
Fund balances - June 30	\$ 2,273,161	\$ 2,269,145	\$ (4,016)

General Obligation Debt			Totals		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ 285,722	\$ -	\$ (285,722)	\$ 285,722	\$ -	\$ (285,722)
			144,625	144,625	
<u>285,722</u>	<u>-</u>	<u>(285,722)</u>	<u>430,347</u>	<u>144,625</u>	<u>(285,722)</u>
208,000	177,000	31,000	1,988,000	1,957,000	31,000
474,100	219,378	254,722	848,773	598,067	250,706
<u>682,100</u>	<u>396,378</u>	<u>285,722</u>	<u>2,836,773</u>	<u>2,555,067</u>	<u>281,706</u>
(396,378)	(396,378)	-	(2,406,426)	(2,410,442)	(4,016)
<u>396,378</u>	<u>396,378</u>		<u>2,406,378</u>	<u>2,406,378</u>	
<u>396,378</u>	<u>396,378</u>	<u>-</u>	<u>2,406,378</u>	<u>2,406,378</u>	<u>-</u>
			(48)	(4,064)	(4,016)
			<u>2,273,209</u>	<u>2,273,209</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,273,161</u>	<u>\$ 2,269,145</u>	<u>\$ (4,016)</u>



Capital Projects Funds

These funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The Special Assessment Districts Fund is used to account for the construction phase of capital improvements of which the City is limited to acting only as agent for the assessed property owners and the bondholders. Assessment Districts are formed in accordance with the Municipal Improvement Act of 1913, being Division 12 of the California Streets and Highways Code (the "1913 Act"). The Bonds are issued pursuant to the Improvement Bond Act of 1915, being Division 10 of the Streets and Highways Code (the "1915 Act"), and Section 13.08.070 of the Municipal Code of the City. The payments by property owners and the debt service are accounted for in an Agency fund.

Capital Outlay Fund is used to account for the cost of capital projects financed by general revenues and grant/loan proceeds for recreational facilities.

Parks Development Fund is used to account for funds collected for residential park development (Ordinance No. 3646). Fees are collected based on the development's share of the cost to develop, improve, construct or enhance a neighborhood park (Ordinance No. 3327).

Transportation Development Fund is used to account for funds collected from fees paid to mitigate the traffic impacts to the regional circulation system caused by a development project. The fees are paid when a building permit for the development project is obtained, and are based upon the amount of traffic the development will generate. With these fees, the City constructs projects that have been identified as necessary to maintain the level of services required by the 2010 General Plan for the regional transportation network. This is a joint City and County program which affects the entire metropolitan area. Fees are collected with the building permit and are based on the relative impact each land use has on the transportation network. The fee schedule was adopted with Ordinance No. 3513 and will be periodically evaluated by the City Council and revised to reflect updated costs and growth projections. Revenue from fees collected may also be used to service bonded debt incurred in Capital Improvement Construction.

Public Financing Authority Fund is used to account for monies borrowed for the purpose of financing the acquisition of Local Obligations for the City of Bakersfield.

CITY OF BAKERSFIELD

**Combining Balance Sheet
All Capital Projects Funds
June 30, 2007**

	Special Assessment Districts	Capital Outlay	Parks Development	Transportation Development
Assets:				
Cash and investments	\$ 45,783,845	\$ 19,120,575	\$ 16,321,618	\$ 45,117,261
Accounts receivable, net		303,550		385,387
Interest receivable		166,394	195,634	477,204
Due from other governmental agencies				183,333
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 45,783,845	\$ 19,590,519	\$ 16,517,252	\$ 46,163,185
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 959,607	\$ 7,271,099	\$ 765,438
Deferred revenue				550,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	959,607	7,271,099	1,315,438
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:				
Reserved for-				
Encumbrances		4,245,355	4,013	8,895,684
Facility replacement		3,000,000		
Unreserved:				
Designated for-				
Capital improvements	45,783,845	10,041,080		28,311,171
Undesignated		1,344,477	9,242,140	7,640,892
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	45,783,845	18,630,912	9,246,153	44,847,747
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 45,783,845	\$ 19,590,519	\$ 16,517,252	\$ 46,163,185
	<hr/>	<hr/>	<hr/>	<hr/>

Public Financing Authority	Total
\$ 375,191	\$ 126,718,490 688,937 839,232 183,333
<u>\$ 375,191</u>	<u>\$ 128,429,992</u>
\$ -	\$ 8,996,144 550,000
<u>-</u>	<u>9,546,144</u>
	13,145,052 3,000,000
<u>375,191</u>	84,136,096 18,602,700
<u>375,191</u>	<u>118,883,848</u>
<u>\$ 375,191</u>	<u>\$ 128,429,992</u>

CITY OF BAKERSFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**All Capital Projects Funds****For the Fiscal Year Ended June 30, 2007**

	Special Assessment Districts	Capital Outlay	Parks Development	Transportation Development
Revenues:				
Intergovernmental	\$ -	\$ 427,982	\$ -	\$ 552,590
Charges for services		15,251		254,299
Fines, forfeitures and assessments	5,016,483		4,994,926	18,228,263
Interest income	2,544,295	595,095	482,976	1,976,808
Contributions and donations		12,000	5,000	
Other			171	1,079,930
Total revenues	<u>7,560,778</u>	<u>1,050,328</u>	<u>5,483,073</u>	<u>22,091,890</u>
Expenditures:				
Current:				
General government	70,949			132,675
Public works			2,865	981,497
Non departmental	769,928		957,974	
Capital outlay:				
Transportation	14,907,307	7,543,642		13,181,419
Public facilities		13,647,787	768,248	
Equipment		259,259		
Total expenditures	<u>15,748,184</u>	<u>21,450,688</u>	<u>1,729,087</u>	<u>14,295,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,187,406)</u>	<u>(20,400,360)</u>	<u>3,753,986</u>	<u>7,796,299</u>
Other financing sources (uses):				
Operating transfers in		24,050,000		8,635,615
Operating transfers out		(3,000,000)		(8,635,615)
Total other financing sources (uses)		<u>21,050,000</u>		<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(8,187,406)	649,640	3,753,986	7,796,299
Fund balances - July 1	<u>53,971,251</u>	<u>17,981,272</u>	<u>5,492,167</u>	<u>37,051,448</u>
Fund balances - June 30	<u>\$ 45,783,845</u>	<u>\$ 18,630,912</u>	<u>\$ 9,246,153</u>	<u>\$ 44,847,747</u>

Public Financing Authority	Total
\$ -	\$ 980,572
2,032,608	2,302,158
	28,239,672
18,331	5,617,505
	17,000
	1,080,101
<u>2,050,939</u>	<u>38,237,008</u>
3,973	207,597
	984,362
	1,727,902
	35,632,368
	14,416,035
	259,259
<u>3,973</u>	<u>53,227,523</u>
<u>2,046,966</u>	<u>(14,990,515)</u>
<u>(2,010,000)</u>	<u>32,685,615</u>
	<u>(13,645,615)</u>
<u>(2,010,000)</u>	<u>19,040,000</u>
36,966	4,049,485
<u>338,225</u>	<u>114,834,363</u>
<u>\$ 375,191</u>	<u>\$ 118,883,848</u>

CITY OF BAKERSFIELD**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (continued)****Budget and Actual - All Capital Projects Funds****For the Fiscal Year Ended June 30, 2007**

	Special Assessment Districts		
	Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services			
Fines, forfeitures and assessments	5,016,483	5,016,483	
Interest income	254,000	2,544,295	2,290,295
Contributions and donations			
Other			
Total revenues	<u>5,270,483</u>	<u>7,560,778</u>	<u>2,290,295</u>
Expenditures:			
Current:			
General government	75,500	70,949	4,551
Public works			
Non departmental	1,240,354	769,928	470,426
Capital outlay:			
Transportation:			
Traffic control			
Streets	44,768,246	14,907,307	29,860,939
Bridges			
Curb/gutters/sidewalks			
Public facilities:			
Buildings			
Parks and landscaping			
Land acquisition			
Other improvements			
Equipment:			
Non-automotive			
Total expenditures	<u>46,084,100</u>	<u>15,748,184</u>	<u>30,335,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,813,617)</u>	<u>(8,187,406)</u>	<u>32,626,211</u>
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(40,813,617)</u>	<u>(8,187,406)</u>	<u>32,626,211</u>
Fund balances - July 1	<u>53,971,251</u>	<u>53,971,251</u>	<u>-</u>
Fund balances - June 30	<u>\$ 13,157,634</u>	<u>\$ 45,783,845</u>	<u>\$ 32,626,211</u>

Capital Outlay			Parks Development		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ 4,457,326	\$ 427,982	\$ (4,029,344)	\$ -	\$ -	\$ -
500,000	15,251	(484,749)			
175,000	595,095	420,095	9,414,568	4,994,926	(4,419,642)
	12,000	12,000	75,000	482,976	407,976
7,132		(7,132)	5,000	5,000	
				171	171
<u>5,139,458</u>	<u>1,050,328</u>	<u>(4,089,130)</u>	<u>9,494,568</u>	<u>5,483,073</u>	<u>(4,011,495)</u>
19,345		19,345			
			15,000	2,865	12,135
			5,474,568	957,974	4,516,594
411,999	1,441	410,558			
8,725,360	7,059,074	1,666,286			
782,775	483,127	299,648			
20,771,101	11,291,858	9,479,243			
3,123,745	389,914	2,733,831	736,957	560	736,397
			4,138,896		4,138,896
6,669,408	1,966,015	4,703,393	1,328,455	767,688	560,767
318,470	259,259	59,211			
<u>40,822,203</u>	<u>21,450,688</u>	<u>19,371,515</u>	<u>11,693,876</u>	<u>1,729,087</u>	<u>9,964,789</u>
<u>(35,682,745)</u>	<u>(20,400,360)</u>	<u>15,282,385</u>	<u>(2,199,308)</u>	<u>3,753,986</u>	<u>5,953,294</u>
24,050,000	24,050,000				
(3,000,000)	(3,000,000)				
<u>21,050,000</u>	<u>21,050,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(14,632,745)	649,640	15,282,385	(2,199,308)	3,753,986	5,953,294
17,981,272	17,981,272	-	5,492,167	5,492,167	-
<u>\$ 3,348,527</u>	<u>\$ 18,630,912</u>	<u>\$ 15,282,385</u>	<u>\$ 3,292,859</u>	<u>\$ 9,246,153</u>	<u>\$ 5,953,294</u>

CITY OF BAKERSFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (concluded)**Budget and Actual - All Capital Projects Funds****For the Fiscal Year Ended June 30, 2007**

	Transportation Development		
	Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ -	\$ 552,590	\$ 552,590
Charges for services		254,299	254,299
Fines, forfeitures and assessments	16,100,000	18,228,263	2,128,263
Interest income	400,000	1,976,808	1,576,808
Contributions and donations			
Other	625,000	1,079,930	454,930
	<hr/>	<hr/>	<hr/>
Total revenues	17,125,000	22,091,890	4,966,890
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	150,443	132,675	17,768
Public works	1,293,614	981,497	312,117
Non departmental			
Capital outlay:			
Transportation:			
Traffic control	3,004,434	1,335,347	1,669,087
Streets	40,574,036	9,154,652	31,419,384
Bridges	6,441,154	2,586,420	3,854,734
Curb/gutters/sidewalks	105,000	105,000	
Public facilities:			
Buildings			
Parks and landscaping			
Land acquisition			
Other improvements			
Equipment:			
Non-automotive			
	<hr/>	<hr/>	<hr/>
Total expenditures	51,568,681	14,295,591	37,273,090
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(34,443,681)	7,796,299	42,239,980
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Operating transfers in	8,635,615	8,635,615	
Operating transfers out	(8,635,615)	(8,635,615)	
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(34,443,681)	7,796,299	42,239,980
	<hr/>	<hr/>	<hr/>
Fund balances - July 1	37,051,448	37,051,448	-
	<hr/>	<hr/>	<hr/>
Fund balances - June 30	\$ 2,607,767	\$ 44,847,747	\$ 42,239,980
	<hr/>	<hr/>	<hr/>

Public Financing Authority			Totals		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ 4,457,326	\$ 980,572	\$ (3,476,754)
2,032,608	2,032,608	-	2,532,608	2,302,158	(230,450)
			30,531,051	28,239,672	(2,291,379)
2,000	18,331	16,331	906,000	5,617,505	4,711,505
				17,000	17,000
			632,132	1,080,101	447,969
<u>2,034,608</u>	<u>2,050,939</u>	<u>16,331</u>	<u>39,059,117</u>	<u>38,237,008</u>	<u>(822,109)</u>
13,000	3,973	9,027	258,288	207,597	50,691
			1,308,614	984,362	324,252
			6,714,922	1,727,902	4,987,020
			3,416,433	1,336,788	2,079,645
			94,067,642	31,121,033	62,946,609
			7,223,929	3,069,547	4,154,382
			105,000	105,000	
			20,771,101	11,291,858	9,479,243
			3,860,702	390,474	3,470,228
			4,138,896		4,138,896
			7,997,863	2,733,703	5,264,160
			318,470	259,259	59,211
<u>13,000</u>	<u>3,973</u>	<u>9,027</u>	<u>150,181,860</u>	<u>53,227,523</u>	<u>96,954,337</u>
<u>2,021,608</u>	<u>2,046,966</u>	<u>25,358</u>	<u>(111,122,743)</u>	<u>(14,990,515)</u>	<u>96,132,228</u>
<u>(2,010,000)</u>	<u>(2,010,000)</u>		<u>32,685,615</u>	<u>32,685,615</u>	
			<u>(13,645,615)</u>	<u>(13,645,615)</u>	
<u>(2,010,000)</u>	<u>(2,010,000)</u>	<u>-</u>	<u>19,040,000</u>	<u>19,040,000</u>	<u>-</u>
11,608	36,966	25,358	(92,082,743)	4,049,485	96,132,228
<u>338,225</u>	<u>338,225</u>		<u>114,834,363</u>	<u>114,834,363</u>	<u>-</u>
<u>\$ 349,833</u>	<u>\$ 375,191</u>	<u>\$ 25,358</u>	<u>\$ 22,751,620</u>	<u>\$ 118,883,848</u>	<u>\$ 96,132,228</u>



Statistical Section

**City of Bakersfield
Statistical Section
For the year ended June 30, 2007**

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, notes disclosure and required supplementary information say about the City's overall financial health.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	134-143
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	144-150
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	151-156
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	157-161
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	162-167

CITY OF BAKERSFIELD

**Net Assets by Component (1)
Last Six Fiscal Years (2)**

	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities:				
Invested in Capital Assets				
Net of Related Debt	\$ 123,977,879	\$ 170,569,678	\$ 204,064,183	\$ 240,757,766
Restricted for:				
Current projects	1,833,647	112,430	615,400	247,828
Capital improvements	37,308,606	41,128,820	34,881,765	47,942,901
Debt services	124,293	121,746	52,236	48,515
Unrestricted	34,667,793	34,054,800	54,802,089	85,904,382
Total governmental activities net assets:	<u>197,912,218</u>	<u>245,987,474</u>	<u>294,415,673</u>	<u>374,901,392</u>
% change from prior year	N/A	24%	20%	27%
Business-type Activities:				
Invested in Capital Assets				
Net of Related Debt	129,638,637	126,242,501	152,050,836	160,979,364
Restricted for:				
Sanitation Districts	2,969,532	3,039,678	3,108,624	8,233,452
Unrestricted	47,565,143	65,092,489	58,087,164	69,661,071
Total business-type activities net assets:	<u>180,173,312</u>	<u>194,374,668</u>	<u>213,246,624</u>	<u>238,873,887</u>
% change from prior year	N/A	8%	10%	12%
Primary Government:				
Invested in Capital Assets				
Net of Related Debt	253,616,516	296,812,179	356,115,019	401,737,130
Restricted for:				
Current projects	1,833,647	112,430	615,400	247,828
Capital improvements	37,308,606	41,128,820	34,881,765	47,942,901
Debt services	124,293	121,746	52,236	48,515
Housing				
Sanitation Districts	2,969,532	3,039,678	3,108,624	8,233,452
Unrestricted	82,232,936	99,147,289	112,889,253	155,565,453
Total primary government net assets:	<u>\$ 378,085,530</u>	<u>\$ 440,362,142</u>	<u>\$ 507,662,297</u>	<u>\$ 613,775,279</u>
% change from prior year	N/A	16%	15%	21%

Notes:

- (1) This schedule reports using the accrual basis of accounting
- (2) The City implemented GASB 34, the new reporting standard, in fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.
- (3) In fiscal year 2005-2006, the City made a prior period adjustment to capitalize infrastructure in accordance with GASB 34.

Source: City Finance Department

Fiscal Year	
2006 (3)	2007
\$ 939,282,573	\$ 1,300,533,136
620,618	298,110
87,336,669	84,146,096
48,209	44,145
<u>144,677,516</u>	<u>142,977,161</u>
<u>1,171,965,585</u>	<u>1,527,998,648</u>
213%	30%
521,824,277	566,728,647
8,318,774	8,357,453
<u>96,501,463</u>	<u>129,325,391</u>
<u>626,644,514</u>	<u>704,411,491</u>
162%	12%
1,461,106,850	1,867,261,783
620,618	298,110
87,336,669	84,136,096
48,209	44,145
8,318,774	8,357,453
<u>241,178,979</u>	<u>272,302,552</u>
<u>\$ 1,798,610,099</u>	<u>\$ 2,232,400,139</u>
193%	24%

CITY OF BAKERSFIELD

**Change in Net Assets (1)
Last Six Fiscal Years (2)**

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental activities:				
General Government	\$ 21,461,540	\$ 18,202,526	\$ 18,683,743	\$ 16,258,160
Public safety:				
Police	39,561,343	44,782,890	48,189,574	53,133,158
Fire	20,754,458	22,844,140	24,238,425	28,274,641
Public works	20,286,811	21,982,599	45,548,570	26,874,096
Community services	16,938,212	16,788,597	16,169,163	17,285,798
Development services	5,551,228	6,241,494	6,217,528	7,609,292
Economic/Community Development	4,516,954	4,756,038	3,859,176	3,539,604
Interest on long-term debt	2,370,180	1,518,569	1,356,008	770,171
Total governmental activities expenses	131,440,726	137,116,853	164,262,187	153,744,920
Business-type activities:				
Wastewater treatment	13,139,259	12,968,565	13,425,848	13,364,173
Refuse collection	21,380,228	24,136,505	25,889,554	28,423,051
Agricultural water	3,995,511	3,881,162	3,901,437	4,016,718
Domestic water	9,178,806	10,096,232	11,149,998	11,755,936
General aviation	251,692	289,914	262,052	282,180
Off-street parking	182,039	188,585	188,110	184,434
Total business-type activities expenses	48,127,535	51,560,963	54,816,999	58,026,492
Total primary government expenses	179,568,261	188,677,816	219,079,186	211,771,412
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	1,670,126	3,347,636	3,557,776	6,213,032
Public safety:				
Police	1,126,188	1,080,696	898,132	2,077,127
Fire	1,487,153	1,880,705	2,075,028	4,313,192
Public works	26,861,214	21,728,972	32,692,425	34,714,601
Community services	8,355,692	8,194,610	8,033,785	8,925,298
Development services	4,329,511	4,654,840	6,589,533	8,547,411
Economic/Community Development	59,351	29,857	23,178	5,000,509
Operating Grants and Contributions	10,632,640	9,770,441	11,778,497	11,389,303
Capital Grants and Contributions	11,383,779	22,513,122	23,229,502	23,764,450
Total governmental activities program revenues	\$ 65,905,654	\$ 73,200,879	\$ 88,877,856	\$ 104,944,923

Notes:

- (1) This schedule reports using the accrual basis of accounting
- (2) The City implemented GASB 34, the new reporting standard, in fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.
- (3) In fiscal year 2005-2006, the City made a prior period adjustment to capitalize infrastructure in accordance with GASB 34.

Fiscal Year	
2006 (3)	2007
\$ 16,387,448	\$ 22,376,302
59,217,664	62,681,714
29,124,399	49,850,463
53,935,339	45,435,945
14,678,060	22,710,973
9,551,861	10,738,435
2,846,210	3,980,925
678,238	595,412
<u>186,419,219</u>	<u>218,370,169</u>
18,476,617	19,660,934
32,147,482	34,546,899
4,269,889	4,577,030
13,516,193	15,963,620
286,651	268,707
174,258	174,531
<u>68,871,090</u>	<u>75,191,721</u>
<u>255,290,309</u>	<u>293,561,890</u>
3,923,612	4,262,137
1,121,545	1,055,577
3,535,136	4,961,943
61,378,381	32,389,571
10,577,088	11,521,373
8,658,762	6,052,621
-	314,609
13,699,627	14,052,014
18,987,290	254,881,641
<u>\$ 121,881,441</u>	<u>\$ 329,491,486</u>

CITY OF BAKERSFIELD

**Change in Net Assets (1) continued
Last Six Fiscal Years (2)**

	Fiscal Year			
	2002	2003	2004	2005
Business-type activities:				
Charges for services				
Wastewater treatment	\$ 17,924,450	\$ 13,977,132	\$ 18,534,135	\$ 17,154,209
Refuse collection	24,280,782	25,642,724	27,249,735	30,291,605
Agricultural water	3,403,931	3,479,324	3,343,104	6,717,939
Domestic water	10,087,632	10,975,653	12,268,089	13,188,040
General aviation	397,792	122,692	122,132	125,747
Off-street parking	84,876	85,727	88,665	93,713
Operating Grants and Contributions	6,628,775	8,433,833	10,713,532	14,343,274
Capital Grants and Contributions	16,453	260,759	1,208,811	1,410,465
Total business-type activities				
program revenues	<u>62,824,691</u>	<u>62,977,844</u>	<u>73,528,203</u>	<u>83,324,992</u>
Total primary government				
program revenues	<u>128,730,345</u>	<u>136,178,723</u>	<u>162,406,059</u>	<u>188,269,915</u>
Net (Expenses) Revenues				
Governmental activities	(65,535,072)	(63,915,974)	(75,384,331)	(48,799,997)
Business-type activities	<u>14,697,156</u>	<u>11,416,881</u>	<u>18,711,204</u>	<u>25,298,500</u>
Total primary government				
Net (Expenses)	<u>(50,837,916)</u>	<u>(52,499,093)</u>	<u>(56,673,127)</u>	<u>(23,501,497)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	20,675,415	23,523,106	23,926,768	39,464,262
Sales and use tax	43,227,389	45,375,035	49,237,400	58,465,636
Other taxes	2,826,230	3,035,464	3,696,091	4,268,501
Motor vehicle in lieu	13,926,501	15,100,959	13,281,356 (5)	5,981,308
Grants and contributions				
not restricted to specific program	21,688,392	26,325,555	32,531,179	20,776,276
Investment earnings	4,814,801	2,252,054	714,434	1,416,716
Miscellaneous	89,517	142,679	137,346	232,035
Gain on sale of property	163,877	895,768	18,640	83,939
Loss on sale of capital asset	(5,282)			
Transfers	(307,430)	311,392	269,316	2,168,098
Reserve transfer to Agency				(3,571,055)
Total governmental activities	<u>107,099,410</u>	<u>116,962,012</u>	<u>123,812,530</u>	<u>129,285,716</u>
Business-type activities:				
Investment earnings	3,130,492	2,172,138	930,304	2,496,861
Miscellaneous		332,562		
Transfers	307,430	(311,392)	(769,552) (4)	(2,168,098)
Total business-type activities	<u>3,437,922</u>	<u>2,193,308</u>	<u>160,752</u>	<u>328,763</u>
Total primary government	<u>110,537,332</u>	<u>119,155,320</u>	<u>123,973,282</u>	<u>129,614,479</u>
Change in Net Assets				
Governmental activities	41,564,338	53,046,038	48,428,199	80,485,719
Business-type activities	<u>18,135,078</u>	<u>13,610,189</u>	<u>18,871,956</u>	<u>25,627,263</u>
Total primary government	<u>\$ 59,699,416</u>	<u>\$ 66,656,227</u>	<u>\$ 67,300,155</u>	<u>\$ 106,112,982</u>

(4) In 2004 the City combined Reserve transfer to Agency with Transfers

(5) In 2005 the City changed the name of "Motor vehicle in lieu" from "Payments in lieu of services"

Source: City Finance Department

		Fiscal Year	
		2006	2007
\$	16,742,598	\$	20,396,468
	33,174,727		36,415,700
	5,426,547		6,523,342
	15,209,139		18,414,655
	135,383		142,520
	104,636		98,640
	17,016,789		14,031,160
	449,969		54,011,847
	<u>88,259,788</u>		<u>150,034,332</u>
	<u>210,141,229</u>		<u>479,525,818</u>
	(64,537,778)		111,121,317
	<u>19,388,698</u>		<u>74,842,611</u>
	<u>(45,149,080)</u>		<u>185,963,928</u>
	49,135,641		62,324,076
	66,495,453		68,367,251
	5,074,460		4,047,002
	2,176,967		1,845,520
	15,184,443		16,717,510
	1,332,755		4,470,903
	85,279		13,128
	673,947		1,140,896
	1,370,202		3,095,700
	<u>141,529,147</u>		<u>162,021,986</u>
	3,140,800		6,020,066
	(1,370,202)		(3,095,700)
	<u>1,770,598</u>		<u>2,924,366</u>
	<u>143,299,745</u>		<u>164,946,352</u>
	76,991,369		273,143,303
	21,159,296		77,766,977
\$	<u>98,150,665</u>	\$	<u>350,910,280</u>

CITY OF BAKERSFIELD

**Fund Balances of Governmental Funds
Last Six Fiscal Years (1)**

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Reserved				
Petty cash	\$ 18,675	\$ 19,375	\$ 19,625	\$ 21,825
Inventory	3,025	-	-	-
Prepaid items	436,776	445,248	472,566	537,812
Encumbrances	1,390,812	2,900,665	1,860,674	1,665,099
Cash basis	6,851,956	7,010,963	7,067,661	7,673,578
Unreserved				
Designated for current projects	1,722,647	112,430	615,400	247,828
Designated for compensated absences	-	-	-	4,854,216
Undesignated	9,135,777	8,972,901	15,611,812	19,032,319
Total general fund	19,559,668	19,461,582	25,647,738	34,032,677
All other governmental funds				
Reserved	18,808,728	19,360,697	43,805,667	16,918,396
Unreserved, reported in:				
Special revenue funds	124,293	(1,978,226)	6,695,504	3,418,829
Capital projects fund	37,419,606	8,499,121	10,352,393	7,647,901
Permanent funds	8,221,653	41,250,566	52,236	48,101,521
Total all other government funds	\$ 64,574,280	\$ 67,132,158	\$ 60,905,800	\$ 76,086,647

Fiscal Year	
2006	2007
\$ 22,095	\$ 22,545
-	-
-	-
1,850,208	2,933,414
9,265,797	11,159,944
620,618	298,110
5,554,097	5,928,547
32,648,415	29,607,059
49,961,230	49,949,619
32,340,825	41,592,473
(3,729,699)	(10,814,841)
12,481,455	18,602,700
87,503,135	84,314,434
\$ 128,595,716	\$ 133,694,766

CITY OF BAKERSFIELD

**Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years**

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes	\$ 78,907,131	\$ 84,514,309	\$ 89,363,833	\$ 115,631,300
Licenses and permits	2,909,850	2,675,401	3,607,543	3,853,451
Intergovernmental	31,574,925	39,841,785	35,973,313	34,255,270
Charges for services	21,455,630	23,451,366	34,924,030	26,675,781
Fines, forfeitures & assessments	19,062,542	16,071,148	17,949,056	31,499,007
Investment earnings	3,859,242	2,008,420	676,118	2,828,081
Miscellaneous	4,297,864	6,029,978	9,935,221	4,825,205
Total Revenues	162,067,184	174,592,407	192,429,114	219,568,095
Expenditures				
General government	7,987,509	8,686,836	9,712,947	8,473,071
Police	38,319,560	43,162,556	47,283,348	53,536,030
Fire	20,190,478	22,379,272	24,144,074	28,115,025
Public works	17,457,421	18,002,954	15,465,572	19,199,433
Community services	15,359,114	15,527,136	14,877,855	16,046,083
Development services	5,448,322	6,127,284	6,164,000	7,607,299
Economic/Community Development	4,519,912	4,691,066	3,818,640	3,541,200
Non departmental	11,662,500	9,281,777	8,888,063	7,726,250
Capital Outlay	19,481,953	35,515,109	41,568,039	41,691,554
Debt Service				
Principal	4,225,000	4,350,000	17,150,000	2,026,000
Interest	2,138,702	1,871,844	1,305,966	811,755
Other charges				
Total Expenditures	146,790,471	169,595,834	190,378,504	188,773,700
Excess of revenues over (under) expenditures	15,276,713	4,996,573	2,050,610	30,794,395
Other financing sources (uses)				
Transfers in	11,993,869	15,704,214	18,817,358	15,171,629
Transfers out	(13,851,887)	(18,240,995)	(20,908,170)	(27,063,316)
Refunding bonds issued				
Bonds issued				
Payment to refunded bond escrow agent				
Capital leases				
Sale of capital assets				
Total Other financing sources (uses)	(1,858,018)	(2,536,781)	(2,090,812)	(11,891,687)
Net changes in fund balances	\$ 13,418,695	\$ 2,459,792	\$ (40,202)	\$ 18,902,708
Debt service as a percentage of non capital expenditures	5.0%	4.6%	12.4%	1.9%

Source: City Finance Department

2006	2007
\$ 135,540,591	\$ 151,067,427
4,279,532	3,029,719
24,965,724	36,774,497
30,604,785	28,299,553
60,485,776	30,450,784
3,936,649	9,327,675
5,155,640	4,668,437
<u>264,968,697</u>	<u>263,618,092</u>
10,758,950	10,807,970
59,716,106	64,936,013
28,878,953	30,349,754
21,500,679	25,634,650
19,204,779	22,047,595
9,143,519	10,787,216
3,022,308	3,939,418
5,486,829	11,584,563
35,744,826	75,443,460
1,258,000	1,957,000
702,386	598,067
<u>195,417,335</u>	<u>258,085,706</u>
69,551,362	5,532,386
21,908,333	1,600,000
(23,022,073)	(2,044,947)
<u>(1,113,740)</u>	<u>(444,947)</u>
\$ 68,437,622	\$ 5,087,439
1.2%	1.4%

CITY OF BAKERSFIELD

**Governmental Activities Tax Revenues By Source
Last Six Fiscal Years (1)**

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Sales and Use Taxes</u>	<u>Transient Occupancy Taxes</u>	<u>Business License Taxes</u>	<u>Utility Franchise Taxes</u>	<u>In-Lieu and Other taxes</u>	<u>Total Taxes</u>
2002	\$ 20,675,415	\$ 44,033,531	\$ 5,493,486	\$ 2,123,484	\$ 3,754,985	\$ 2,826,230	\$ 78,907,131
2003	23,523,106	46,283,126	5,747,849	2,244,126	3,680,638	3,035,464	84,514,309
2004	23,926,768	49,237,400	6,069,043	2,459,889	3,974,642	3,696,091	89,363,833
2005	39,464,262 (2)	58,465,636	6,594,845	2,646,990	4,191,066	4,268,501	115,631,300
2006	49,135,641 (2)	66,495,453	7,456,838	2,995,555	4,382,644	5,074,460	135,540,591
2007	62,324,076 (2)	68,367,251	7,954,228	3,404,712	4,970,158	4,047,002	151,067,427

Notes:

(1) Includes all governmental funds as shown in the Fund Financial Statements.

(2) Includes VLF Triple Flip tax revenue.

Source: City Finance Department

CITY OF BAKERSFIELD

**Principal Property Taxpayers
Current Year and Six Years Ago**

Taxpayer	2002			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Dreyers Grand Ice Cream Inc.	\$ -	-	0.00%	\$ 224,297,480	1	1.10%
Bakersfield Mall LLC	113,649,671	1	1.05%	148,582,342	2	0.73%
Bakersfield Memorial Hospital	-	-	0.00%	107,975,711	3	0.53%
California Water Service Company	-	-	0.00%	103,549,573	4	0.51%
Castle & Cooke Comm. Inc.	92,367,104	2	0.86%	84,646,553	5	0.42%
DS Marketplace Bakersfield LLC	-	-	0.00%	81,074,882	6	0.40%
Chevron USA Inc.	-	-	0.00%	73,983,960	7	0.36%
San Joaquin Community Hospital	-	-	0.00%	68,741,609	8	0.34%
Lennar Home of California	-	-	0.00%	65,460,744	9	0.32%
State Farm Insurance Company	57,276,775	4	0.53%	57,700,000	10	0.28%
Total taxable assessed value of ten (10) Largest taxpayers	\$ 263,293,550		2.44%	\$ 1,016,012,854		4.99%
Total taxable assessed value of other taxpayers	10,515,513,041		97.56%	19,929,558,077		95.01%
Total taxable assessed value of all taxpayers	<u>\$ 10,778,806,591</u>		<u>100.00%</u>	<u>\$ 20,945,570,931</u>		<u>100.00%</u>

Note:

Related parties grouped together on the original source document (County's list of assessed valuations) are included in the total assessed valuation amount for each taxpayer cited. Unitary and operating nonunitary are excluded as valuation by parcel is no longer available.

Source: HdL Coren & Cone, K.C. Assessor 2006-07 Combined Tax Rolls

CITY OF BAKERSFIELD

**Assessed Value and Estimated Actual Value of Taxable Property
Last Six Fiscal Years
Amounts expressed in thousands**

Fiscal Year Ended June 30	Secured			Unsecured	Less: Tax Exempt Real Property
	Residential Property	Commercial Property	Other		
2002	\$ 7,148,500	\$ 1,981,027	\$ 1,736,960	\$ 513,535	\$ 601,905
2003	7,713,303	2,117,283	1,809,671	532,842	645,761
2004	8,760,686	2,341,932	1,879,013	546,353	694,115
2005	9,966,804	2,463,503	1,943,657	565,311	680,115
2006	12,110,090	2,727,174	2,200,212	582,995	731,597
2007	15,371,291	3,104,110	2,655,402	631,452	816,684

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

Source: HdL Coren & Cone, Kern County Assessor 2006-07 Combined Tax Rolls.

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (1)
\$ 10,778,117	0.19%	Unavailable
11,527,338	0.16%	Unavailable
12,833,869	0.21%	Unavailable
14,259,160	0.20%	Unavailable
16,888,874	0.22%	Unavailable
20,945,571	0.22%	Unavailable

CITY OF BAKERSFIELD

**Property Tax Rates
Direct and Overlapping Governments
Last Six Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
City Direct Rate	0.2270	0.1840	0.1840	0.1840
Overlapping Rates:				
Bakersfield School	0.2030	0.2030	0.2030	0.2030
Kern High School	0.1920	0.1920	0.1920	0.1920
Kern County	0.2780	0.1700	0.1700	0.1700
Education Revenue Augmentation Fund	0.0000	0.1585	0.1585	0.1585
Kern Community College	0.0580	0.0580	0.0580	0.0580
Education	0.0190	0.0187	0.0187	0.0187
Kern Mosquito Abatement	0.0124	0.0077	0.0077	0.0077
Kern County Water Agency	0.0068	0.0061	0.0061	0.0061
Bakersfield Sep Gr	0.0024	0.0008	0.0008	0.0008
Kern River Levee ²	0.0007	0.0006	0.0006	0.0006
County Advertising	<u>0.0009</u>	<u>0.0006</u>	<u>0.0006</u>	<u>0.0006</u>
Total Direct Rate	<u><u>1.0000</u></u>	<u><u>1.0000</u></u>	<u><u>1.0000</u></u>	<u><u>1.0000</u></u>

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

(2) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) indebtedness adopted prior to 1989 per California State statute. During 2002-2006, this area was 001-001. The largest RDA TRA in 2007 was 001-003. Kern River Levee taxes are not collected in this area.

Source: HdL Coren & Cone, Kern County Assessor 2006-07 Combined Tax Rolls.

<u>2006</u>	<u>2007</u>
0.1840	0.1850
0.2030	0.2034
0.1920	0.1920
0.1700	0.1701
0.1585	0.1580
0.0580	0.0576
0.0187	0.0187
0.0077	0.0077
0.0061	0.0061
0.0008	0.0008
0.0006	0.0000
<u>0.0006</u>	<u>0.0006</u>
<u><u>1.0000</u></u>	<u><u>1.0000</u></u>

CITY OF BAKERSFIELD

**Property Tax Levies and Collections
Last Six Fiscal Years (1)**

Fiscal Year Ended June 30	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 20,121,528	\$ 19,994,799	99.4%	\$ 553,887	\$ 20,675,415	102.8%
2003	21,301,453	22,888,265	107.4%	2,221,653	23,523,106	110.4%
2004	22,792,274	23,186,177	101.7%	1,134,494	23,926,768	105.0%
2005	25,401,358	26,877,424	105.8%	2,291,051	27,692,409	109.0%
2006	29,296,719	31,697,289	108.2%	3,334,705	32,631,424	111.4%
2007	35,419,513	38,390,507	108.4%	3,887,442	39,306,956	111.0%

Notes:

(1) Excludes Redevelopment property tax increment.

Source: City Finance Department

CITY OF BAKERSFIELD

**Ratio of General Bonded Debt Outstanding
Last Six Fiscal Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Net Bonded Debt</u>	<u>Total</u>	<u>Ration of Net Bonded Debt to Assessed Value</u>	<u>Population (1)</u>	<u>Per Capita</u>
2002	\$ 4,930,000	\$ -	\$ 4,930,000	0.00%	257,914	19.11
2003	4,000,000	-	4,000,000	0.00%	266,784	14.99
2004	3,050,000	-	3,050,000	0.00%	279,672	10.91
2005	2,070,000	-	2,070,000	0.00%	295,893	7.00
2006	1,055,000	-	1,055,000	0.00%	311,824	3.38
2007(2)	0	-	-	0.00%	323,213	0.00

Notes:

Includes all long-term general obligation bonded debt.

(1) State Department of Finance

(2) General Obligation Water Refunding Bonds, 2002 paid in full at December 15, 2006

Source: City Finance Department

CITY OF BAKERSFIELD

**Ratios of Outstanding Debt by Type
Last Six Fiscal Years**

Fiscal Year	Governmental Activities					Sewer Bonds
	Revenue Bonds	Notes	Claims and Judgments Payable	Compensated Absences	Total Governmental Activities	
2002	\$ 16,295,000	\$ 600,000	\$ -	\$ 6,330,430	\$ 23,225,430	\$ 21,895,000
2003	13,705,000	-	14,679,078	11,761,589	40,145,667	19,235,000
2004	9,120,000	5,732,640	16,244,903	11,400,972	42,498,515	5,110,000
2005	7,255,000	4,739,000	17,001,387	11,962,520	40,957,907	-
2006	6,165,000	4,571,000	18,668,054	12,903,420	42,307,474	-
2007	4,385,000	4,394,000	18,499,221	13,407,687	40,685,908	-

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) US Dept of Commerce Bureau of Economic Analysis. As available, figures and estimates should be used for general purposes only. Estimates are revised periodically to include data that may not have been available at the time.

(2) State Department of Finance. Estimates are revised periodically to include data that may not have been available at the time.

Source: City Finance Department

Business-Type Activities						
General Obligation		Compensated Absences	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
Bonds	Notes					
\$ 4,930,000	\$ 16,700,491	\$ 460,563	\$ 43,986,054	\$ 67,211,484	0.41%	261
4,000,000	15,778,619	1,501,170	40,514,789	80,660,456	0.49%	302
3,050,000	14,846,492	1,458,773	24,465,265	66,963,780	0.38%	239
2,070,000	13,902,687	1,588,541	17,561,228	58,519,135	0.31%	198
1,055,000	12,947,272	1,800,613	15,802,885	58,110,359	0.29%	186
-	13,054,738	1,943,344	14,998,082	55,683,990	0.00%	172

CITY OF BAKERSFIELD

Direct and Overlapping Debt As of June 30, 2007

2006-07 Assessed Valuation	\$ 20,945,570,931
Redevelopment Incremental Valuation	595,264,176
Adjusted Assessed Valuation	\$ 20,350,306,755

	Debt Outstanding (2)	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
<u>Overlapping Tax and Assessment Debt</u>			
Kern Community College District Safety			
School Facilities Improvement District	\$ 121,641,213	33.078%	\$ 40,236,480
Kern High School District	197,640,000	49.815	98,454,366
Bakersfield City School District	55,015,000	68.314	37,582,966
Beardsley School District	12,660,000	22.728	2,877,365
Fairfax School District	3,869,857	23.194	897,575
Fruitvale School District	20,380,000	79.482	16,198,432
Greenfield Union School District	19,953,406	83.260	16,613,206
Lamont School District	3,934,775	0.021	826
Norris School District	3,211,405	58.966	1,893,637
Panama-Buena Vista Union School District	5,240,000	96.634	5,063,622
Rio Bravo Greeley Union School District	7,331,280	0.018	1,320
Rosedale Union School District	2,085,000	57.320	1,195,122
Olcese Water District	615,000	100	615,000
Standard School District	11,800,000	1.207	142,426
Kern Delta Water District	2,035,000	73.200	1,489,620
Kern Community College District			
Assessment District	6,090,000	36.058	2,195,932
RNR School Financing Authority	59,495,000	56.917	33,862,769
Total Overlapping Tax and Assessment Debt	\$ 532,996,936		\$ 259,320,664
<u>Overlapping General Fund Debt</u>			
Kern County Certificates of Participation	\$ 5,735,000	30.397%	\$ 16,637,798
Kern County Pension Obligations	481,611,067	30.397	146,395,316
Certificates of Participation:			
Kern County Board of Education	57,110,000	30.397	17,359,727
Kern County Community College District	85,015,000	29.954	25,465,393
Kern High School District	115,200,000	49.815	57,386,880
Bakersfield City School District	2,930,000	68.314	2,001,600
Lakeside Union School District	12,165,000	40.589	4,937,652
Standard School District	4,135,000	1.200	49,909
Total Overlapping General Fund Debt	\$ 763,901,067		\$ 270,234,275

Direct Debt

City of Bakersfield			
Public Financing Authority Revenue Bonds			2,115,855
Total Direct and Overlapping Debt			\$ 531,670,794

Notes:

- (1) Excluded from this schedule are: (a) all bonds which are not general obligation bonds of the City and (b) general obligation bonds issued for water utility purposes which are payable from Water Fund revenues.
 - (2) Direct debt is reported net of debt service monies available. Overlapping debt is reported at gross values.
 - (3) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
- Source: California Municipal Statistics, Inc. and City Finance Department

CITY OF BAKERSFIELD

Computation of Legal Debt Margin
June 30, 2007

Legislation does not mandate a debt limit for the City of Bakersfield.

CITY OF BAKERSFIELD

**Pledged - Revenue Coverage
Last Six Fiscal Years**

Fiscal Year	Sewer Revenue Bonds						Coverage
	Sewer Charges and Other Revenue (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)			
				Principal	Interest		
2001-02	\$ 25,407,201	\$ 7,821,312	\$ 17,585,889	\$ 2,535,000	\$ 1,346,123	4.53	
2002-03	23,088,901	7,494,423	15,594,478	2,660,000	1,213,556	4.03	
2003-04	28,832,948	8,703,477	20,129,471	14,125,000	426,663	1.38	
2004-05	30,227,439	8,931,127	21,296,312	5,110,000	79,838	4.10	
2005-06	34,088,363	9,836,368	24,251,995	-	-	N/A	
2006-07	33,382,155	10,743,656	22,638,499	-	-	N/A	

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Operating expenses do not include interest or depreciation expenses.

(1) Includes amounts for connection fees, interest funded in bond issue and principal portion of lease revenues.

(2) Does not include the General Obligation Bonds reported in Enterprise Funds. Operating expenses exclude depreciation expense.

(3) Sewer Revenue Refunding Bonds, 1994 paid in full at June 30, 2004.

Source: City Finance Department

CITY OF BAKERSFIELD

**Demographic and Economic Statistics
Last Six Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2) (millions)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (3)</u>	<u>Education Level in Years of Formal Schooling (3) (4)</u>	<u>Elementary School Enrollment (5)</u>	<u>Estimated Unemployment Rate (%) (6)</u>
2001-02	257,914	\$ 15,635	\$ 22,565	30.5	70.6%	28,267	11.2%
2002-03	266,784	16,558	23,215	30.5	72.1%	28,179	12.0%
2003-04	279,672	17,660	24,067	30.1	72.8%	28,315	12.6%
2004-05	295,893	18,924	24,999	29.8	72.2%	28,234	8.3%
2005-06	311,824	20,087	25,748	30.0	71.9%	27,890	7.3%
2006-07	323,213	-	-	-	-	27,403	8%*

Notes:

(1) State Department of Finance. Estimates are revised periodically to include data that may not have been available at the time.

(2) US Dept of Commerce Bureau of Economic Analysis As available, figures and estimates should be used for general purposes only. Estimates are revised periodically to include data that may not have been available at the time. Information is for Bakersfield Metropolitan area.

(3) U.S. Census Bureau estimates as available for Bakersfield Metropolitan area.

(4) This column shows the percent of the City population 25 years and older who are high school graduates or higher.

(5) Ed-Data Education Data Partnership

(6) State of California Employment Development Department (Data shown is for Kern County,)

* Preliminary number

CITY OF BAKERSFIELD

**Full-time Equivalent City Government Employees by Function
Last Six Fiscal Years**

Function	Full-time Equivalent Employees as of June 30					
	2002	2003	2004	2005	2006	2007
General Government	178	181	169	180	237	238
Public Safety						
Police						
Officers	330	319	321	345	346	373
Civilians	115	116	115	120	132	144
Fire						
Firefighters and officers	170	176	175	180	180	183
Civilians	24	22	22	21	27	29
Public Works						
Highways and streets						
Engineering	57	59	57	64	65	70
Maintenance	177	180	169	191	206	211
Culture and recreation	117	119	108	119	129	175
Wastewater Treatment	29	29	29	29	29	55
Refuse Collection	75	91	84	91	133	110
Water	22	23	23	23	23	25
Total	1,294	1,315	1,272	1,363	1,507	1,613

Source: City Finance Department



CITY OF BAKERSFIELD

**Property Value, Construction and Bank Deposits (1)
Last Ten Fiscal Years**

Fiscal Year	Commercial Construction		Residential Construction		Other Construction
	No. of Units	Value	No. of Units	Value	Value
1997-98	147	\$ 49,241	1,983	\$ 197,773	\$ 67,281
1998-99	213	78,199	2,088	223,576	36,958
1999-00	140	51,251	1,890	218,656	34,438
2000-01	123	38,113	2,012	261,522	48,067
2001-02	143	70,874	2,445	311,639	57,983
2002-03	141	56,694	2,981	428,534	62,112
2003-04	130	82,003	3,677	568,413	65,878
2004-05	103	62,202	4,291	675,804	115,348
2005-06(3)	76	36,008	5,314	870,190	94,661
2006-07	151	69,002	3,532	564,588	101,835

Notes:

(1) Property value and bank deposits reported in thousands.

(2) Federal Deposit Insurance Corporation

(3) Previous report stated 6 months of data. Numbers have been corrected to represent a full year.

Source: City Finance Department

Total Construction		Bank Deposits (2)
No. of Units	Value	
2,130	\$ 314,295	\$ 2,438,004
2,301	338,733	2,464,202
2,030	304,345	2,454,280
2,135	347,702	2,730,107
2,588	440,496	2,865,985
3,122	547,340	3,179,623
3,807	716,294	3,357,220
4,394	853,354	4,027,043
5,390	1,000,859	4,376,691
3,683	735,425	4,432,920

CITY OF BAKERSFIELD

**Operating Indicators by Function
Last Six Fiscal Years**

Function	Fiscal Year			
	2002	2003	2004	2005
Police				
Physical arrests			14,380	14,567
Parking violations	10,772	10,407	10,139	9,992
Traffic violations	27,688	35,813	32,475	22,833
Fire				
Number of calls answered	16,695	21,727	23,101	24,348
Inspections		3,496	2,555	3,610
Highway and streets				
Street resurfacing (lane miles)	61	55	18	22
Potholes repaired				
Sanitation				
Refuse collected (tons/day)	71,649	74,400	80,246	85,332
Recyclables collected (tons/day)	22,358	24,808	28,032	31,155
Culture and recreation				
Athletic field permits issued	2,880	2,940	3,036	3,396
Community center admissions	44,637	74,060	61,216	59,962
Water				
New connections	1,523	1,739	1,518	2,056
Water main breaks	38	47	15	42
Average daily consumption (thousands of gallons)	27,763	29,011	31,691	31,790
Wastewater				
Average daily sewage treatment (millions of gallons)	28.18 MGD	28.72 MGD	30.05 MGD	29.95 MGD

Source: City Finance Department

Fiscal Year	
2006	2007

16,677	24,463
10,572	9,146
	17,950

25,735	22,505
3,906	5,996

73	55
----	----

91,110	101,800
34,588	33,100

3,528	2,463
89,478	124,465

2,109	1,862
43	87
32,139	31,894

30.54 MGD	31.12 MGD
-----------	-----------

CITY OF BAKERSFIELD

**Capital Asset Statistics by Function
Last Six Fiscal Years**

Function	Fiscal Year			
	2002	2003	2004	2005
Land				
Area	115.14	116.44	117.42	118.51
Public Safety				
Police Stations/Substations	3	3	4	4
Fire Stations	12	12	13	13
Sanitation				
Collection trucks	34	35	38	42
Highways and Streets				
Streets (miles)	909	942	983	1,028
Streetlights	11,747	12,056	12,756	13,316
Traffic signals	264	268	280	293
Culture and recreation				
Parks acreage	399	399	398	432
Parks	45	46	45	46
Swimming pools	9	9	7	6
Tennis courts	11	11	11	11
Community centers	3	3	3	3
Water				
Water mains (miles)				409
Fire hydrants	7,578	7,933	8,365	8,518
Sewers				
Sanitary sewers (miles)	825	857	889	921
Storm sewers (miles)	150	159	173	189
Maximum daily treatment capacity (millions of gallons)	35 MGD	35 MGD	35 MGD	41 MGD

Source: City Finance Department

Fiscal Year	
2006	2007
120.85	135.48
4	4
13	13
44	55
1,069	1,178
14,101	14,965
302	314
432	447
46	48
6	6
11	11
3	3
589	710
9,040	9,600
962	1028
204	244
41 MGD	41 MGD

CITY OF BAKERSFIELD

**Schedule of Insurance in Force
June 30, 2007**

Type of Coverage

Liability:	Limits	
Excess Workers' Compensation	\$ 300,000,000	Limit with a \$500,000 self-insured retention.
Excess Liability	45,000,000	Limit with a \$1,000,000 self-insured retention.
Combination Crime	2,000,000	Coverage limit, \$25,000 deductible.
Airport Operations	10,000,000	Coverage limit.
Aircraft	10,000,000	Coverage limit.
Physical Loss:		
All Risk Property and Boiler Machinery	600,000,000	Coverage on buildings and contents subject to \$10,000 deductible with various sublimits.
Auto-Physical Damage		Coverage for high value vehicles over \$100,000, subject to a \$10,000 deductible.
Life and Medical:		
Life and Accident	2,000	Supervisory & Management employees. Each employee (basic coverage) and additional insurance equal to annual salary to nearest \$1,000.
	12,000	Safety employees, each employee (basic coverage).
	30,000	Miscellaneous employees, each employee (basic coverage).
Medical and Dental		Basic coverage plus \$5,000,000 extended benefits of 90% after \$250 deductible for medical or Group dental (Blue Cross) (\$50 deductible for Blue Cross).

Insurance Company	Policy Number	Expiration Date	Annual Premium
CSAC- EIA	EWC7-1-06	07/01/08	\$ 282,866
Insurance Company of the State of Pennsylvania	ACC0506BAK71	07/01/08	687,330
Ace Property and Casualty Insurance Company.	AAPN00984504	07/19/08	5,705
X. L. Specialty	NAC3034914	07/01/08	13,000
Fort Dearborn Life	F001334	01/01/08	\$3.96 per thousand dollar of salary, Management & Supervisory annual plus \$2,000.
Fort Dearborn Life	F001334	01/01/08	\$47.58 each permanent employee for \$12,000 coverage
Fort Dearborn Life	F001334	01/01/08	\$118.82 each permanent employee for \$30,000 coverage
Blue Cross Blue Cross Blue Cross/Calif. Care Dedicated Dental System Pacific Union Dental, Inc. Kaiser Health	Dental 97039S Health 97039M Health 59E69A Dental 05658 Dental 95054 132733-1003		Bi-weekly rate range from \$144.57 to \$508.61 per employee for medical based upon Individual's Plan coverage and Plan combination and \$9.70 to 60.30 for Dental.

