

CITY OF BAKERSFIELD, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006



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

CITY OF BAKERSFIELD

Comprehensive Annual Financial Report
Year Ended June 30, 2006

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December 1, 2006

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, 2006. 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.

This report is presented in three sections consisting of:

- 1) an **Introductory Section** including a list of City Officials, a table of contents, a transmittal letter, reproductions of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting, the California Society of Municipal Finance Officers Certificate of Award for Outstanding Financial Reporting and the City's organizational chart;
- 2) the **Financial Section** consisting of a report from our independent certified public accountants' annual audit of the City's financial statements as required by the City Charter, Management Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, and Required Supplementary Information. These are the City's basic financial statements and provide an overview for users who require less detailed information about our City's finances. The remainder of the financial section presents combining and individual fund statements providing supplemental information for the 2005-06 fiscal year; and
- 3) a **Statistical Section** which provides pertinent financial and general information indicating trends for comparative fiscal periods.

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). In June 1999 the GASB issued Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Statement establishes new financial reporting requirements for state and local governments throughout the United States. It requires new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected. The City was required to implement GASB Statement 34 for the fiscal year ending June 30, 2002. The City is required to be in full compliance with the implementation of GASB Statement 34, regarding retroactive reporting of governmental fixed assets and infrastructure, no later than the fiscal year ending June 30, 2006. The current year statements reflect the retroactive reporting of governmental infrastructure and other fixed assets. The City contracted with the firm of Berryman & Henigar to assist us with the timely completion of this infrastructure and asset valuation project.

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 120.85 square miles and has an estimated population of 311,824 as of January 1, 2006.

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 State Rout 99. Funding for the project is a combination of Federal Transportation funds and local transportation dollars. To date the City has spent over \$19 million for preliminary engineering work and acquisition of right-of-way. Additional federal and state funds of over \$52 million are budgeted in fiscal year 2006-07 for planning, design and construction of the freeway project. It is anticipated that construction could begin on this project in the 2007 calendar year.

The City received major funding for several new freeway projects as a result of the 2005 Federal Transportation Bill approved last year 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 get these projects off the ground. The City has hired Parsons Engineering to assist with overall administration of the various freeway projects.

The plan to expand the Wastewater Treatment Plant that services the western half of Bakersfield is also moving forward. Over \$20 million has already been budgeted for consulting and design work on the plant expansion, which will double the size of the Westside plant, taking it from a capacity of 16 million gallons per day (MGD) to 32 MGD. Projections of the expansion costs are estimated in the \$150 million dollar range, which will be funded with Sewer Revenue Bonds and repaid with future sewer connection fees and / or sewer user charges. The project bid process, award of construction contract and related bond issuance is expected to take place in the second half of the 2006-07 fiscal year.

The City has completed a large 32 acre park in west Bakersfield using a combination of Park Development Fees and State Grant funds. This park, named “The Park at River Walk”, is located just south of the Kern River at Stockdale Highway and both enhances the recreational opportunities in the area as well as provides a mechanism for recharging ground water via two small lakes located on the park site. The park also includes a large open air amphitheater suitable for medium to large concerts and other public events. The naming rights to the amphitheater were sold to Bright House Networks for \$100,000 per year. These monies are planned to be used to assist in attracting and promoting high quality performances for the enjoyment of our citizens.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy and Local Budget issues- The City of Bakersfield currently enjoys a stable economic environment and local indicators point to continued stability. The area continues to show growth in both new housing starts and increased commercial development. The City experienced a spike in sales tax and property tax revenues during the 2005-06 fiscal year due in large part to unprecedented activity in the residential home market. Sales tax receipts increased by over 13% compared to the prior year and property tax growth was in the 24% range. Historic growth trends in both sales tax and property taxes have averaged in the 6% range for many 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. Additionally, the Council 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. The Retiree Medical Subsidy program is considered an Other Post Employment Benefit, and the funding in the 2006-07 budget will begin to reduce the unfunded liabilities associated with this future benefit. The Council also discontinued the subsidy program for newly hired employees, which will have a positive effect on future actuarial calculations regarding the estimated future costs of the program.

Retirement costs have leveled out after two years of significant increases, which was caused by the combined effects of increased level of benefits and lower than projected rates of return regarding investments held by California Public Employees Retirement System (CalPERS). Based on actuarial estimates provided by CalPERS, the City is projecting a slight decrease in retirement rates for current employees in fiscal year 2007-08 and another slight decrease in rates for fiscal year 2008-09.

The level of building activity seems to have calmed down from it’s fever pitch, but the City continues to grow at a steady pace. The general outlook regarding the economic future for Bakersfield is one of stable growth.

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 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 continues to monitor the potential need to move the public works corporation yard to a new location. This potential move is in conjunction with the construction plans of future phases of the Westside Freeway project. The existing corporation yard sits in the path of one of the proposed freeway alignments. The City also continues to monitor issues regarding space needs of several City departments. In addition to our City Hall complex (owned), which is used for general government functions and Public Works Engineering, we are currently leasing office space at two separate buildings in the downtown area to house our Parks & Recreation staff, our Economic Development staff, our fire prevention investigators, and

most of our Information Technology staff. The City Council recently took action to pursue the purchase of 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 being considered also has land space for a second structure of similar size to address more long term space needs. We believe purchase of this facility would both improve customer service to the citizens of Bakersfield and provide opportunities for improved operational efficiency.

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 2005-06 City of Bakersfield appropriation limit established as required by state statute was \$230,000,900.

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 M. Green and Company was selected last year by the City Council to perform the annual audit for the 2004-05 fiscal year. This 2005-06 audit year is the second 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, 2005, marking the twenty-fifth 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.

The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award of Outstanding Financial Reporting to the City of Bakersfield for the annual financial report for the fiscal year ended June 30, 2005. The CSMFO has recently changed the guidelines of their California Award Program and will only be reviewing financial statements from cities that do not apply for the national GFOA award program. Thus the City of Bakersfield will only be participating in the national program beginning with the 2005-06 financial reports.

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, 2005

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.



A handwritten signature in cursive script, appearing to read "Ronald J. Hauer".

President

A handwritten signature in cursive script, appearing to read "Jeffrey R. Ennis".

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

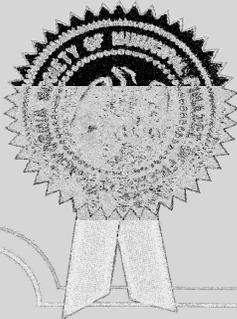
Outstanding Financial Reporting 2004-05

Presented to the

City of Bakersfield

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2006

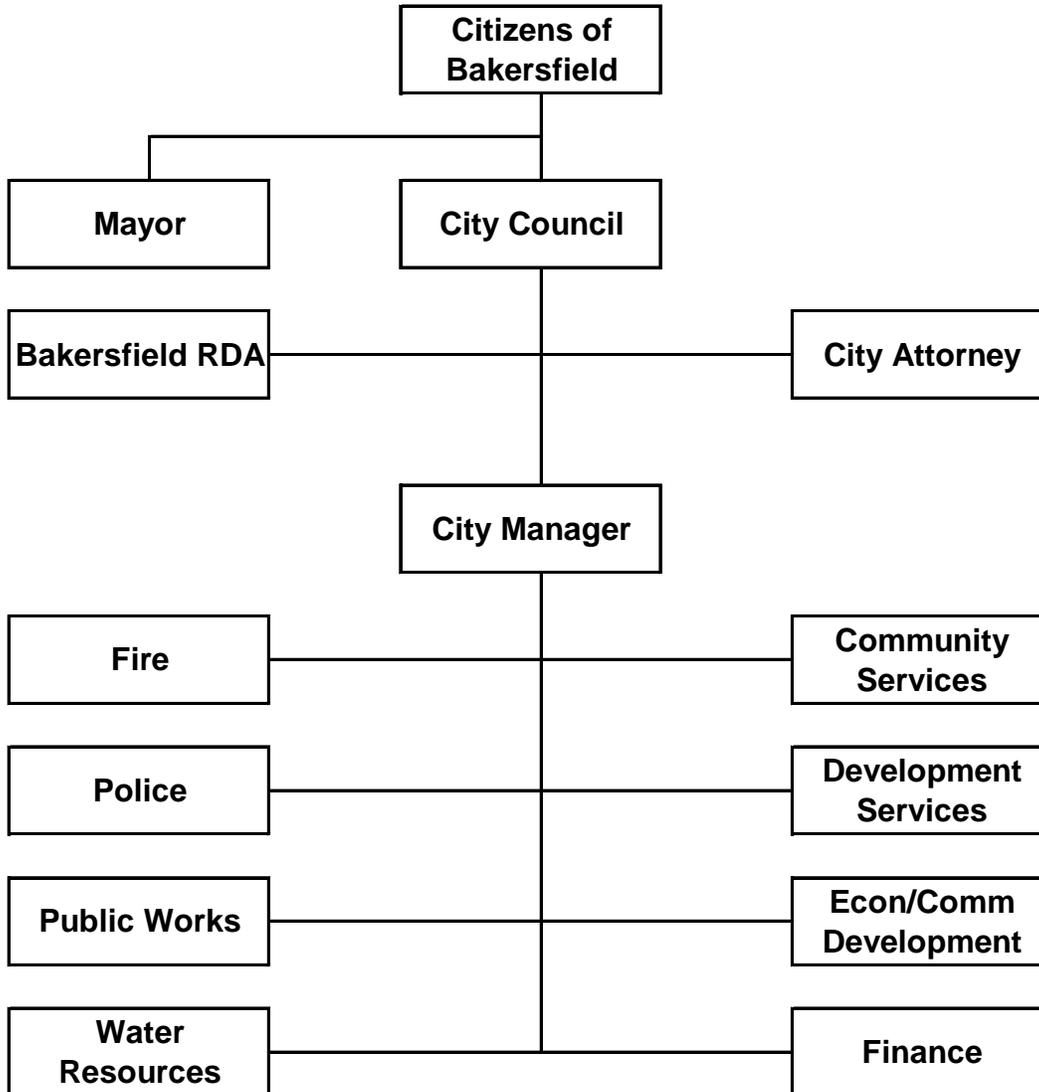


William J. Thomas

**Bill Thomas, Chair
Professional & Technical Standards Committee**

Dedicated to Excellence in Municipal Financial Management

City of
Bakersfield
Organizational Chart



CITY OF BAKERSFIELD

June 30, 2006

City Council

Harvey L. Hall	Mayor
Irma Carson	Member/Ward 1
Sue Benham	Member/Ward 2
Mike Maggard	Vice Mayor/Ward 3
David R. Couch	Member/Ward 4
Harold Hanson	Member/Ward 5
Jacque 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





M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

LARRY W. AYERS, C.P.A.
MARLA D. BORGES, C.P.A.
KEVIN M. GREEN, C.P.A.
WM. KERT JENSEN, C.P.A.
KATHLEEN M. LAMPE, C.P.A.
LYNN M. LAMPE, C.P.A.
ALAN S. MOORE, C.P.A.
JUSTIN MORALES, JR., C.P.A.

KENNETH B. NUNES, C.P.A.
GIUSEPPE SCALIA, C.P.A.
KENNETH W. WHITE, JR., C.P.A.

REBECCA AGREIDANO, C.P.A.
LYNDA S. ANDERSON, C.P.A.
BLAINE D. REBULE, C.P.A.
NATALIE H. SIEGEL, C.P.A.
NANCY R. TUTSCHULTE, C.P.A.

ROBERT L. BANDY, C.P.A.
Consultant

JAMES G. DWYER, C.P.A.
Consultant

DONALD G. GORDON
Consultant

FOREST A. MCQUEEN, C.P.A.
Consultant

CHARLES L. SOUTHARD, C.P.A.
Consultant

KENT A. WOOLLEY, C.P.A.
Consultant

Tulare
Visalia
Hanford
Dinuba

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bakersfield, California (the City), as of and for the year ended June 30, 2006, 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 agency funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006, as listed in the supplementary information section of table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, 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 agency funds, of the City as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison and pension funding progress information as listed in the required supplementary information section of the accompanying table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 of 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.

M. Green and Company, LLP.

December 1, 2006
Visalia, California

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, 2006. 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 \$1,798,610,096 (net assets). Of this amount, \$241,178,977 (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 \$98,150,665 over the prior fiscal year. Approximately 38% of this increase is attributable to an increase in current assets.
- ? As of the close of the current fiscal year, the City of Bakersfield's governmental funds reported combined ending fund balances of \$178,556,946, an increase of \$68,437,622 in comparison with the prior year. Approximately three-fourths of this total amount, \$135,078,021, 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 \$38,823,130, or 28.0 % of total general fund expenditures.
- ? The City of Bakersfield's total debt showed a net decrease of \$3,228,416 (11%) 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 2005-06 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 \$1,798,610,096 at the close of the most recent fiscal year.

The largest portion of the City of Bakersfield's net assets (81% of the total) reflects its investment in capital assets of \$1,461,106,849 (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	
	2005	2006	2005	2006	2005	2006
Assets						
Current and other assets	\$172,091,995	\$247,084,333	\$88,423,260	\$112,879,954	\$260,515,255	\$359,964,287
Capital assets	<u>976,847,521 *</u>	<u>982,993,060</u>	<u>549,279,808 *</u>	<u>553,059,776</u>	<u>1,526,127,329 *</u>	<u>1,536,052,836</u>
Total assets	<u>1,148,939,516</u>	<u>1,230,077,393</u>	<u>637,703,068</u>	<u>665,939,730</u>	<u>1,786,642,584</u>	<u>1,896,017,123</u>
Liabilities						
Long-term liabilities						
outstanding	29,752,150	28,323,932	20,770,523	24,845,535	50,522,673	53,169,467
Other liabilities	<u>24,213,153</u>	<u>29,787,879</u>	<u>11,447,327</u>	<u>14,449,681</u>	<u>35,660,480</u>	<u>44,237,560</u>
Total liabilities	<u>53,965,303</u>	<u>58,111,811</u>	<u>32,217,850</u>	<u>39,295,216</u>	<u>86,183,153</u>	<u>97,407,027</u>
Net Assets						
Invested in capital assets,						
net of related Debt	933,137,031	939,282,572	533,307,119	521,824,277	1,466,444,150	1,461,106,849
Restricted	48,239,244	88,005,496	8,233,452	8,318,774	56,472,696	96,324,270
Unrestricted	<u>113,597,938</u>	<u>144,677,514</u>	<u>63,944,647</u>	<u>96,501,463</u>	<u>177,542,585</u>	<u>241,178,977</u>
Total Net Assets	<u>\$1,094,974,213</u>	<u>\$1,171,965,582</u>	<u>\$605,485,218</u>	<u>\$626,644,514</u>	<u>\$1,700,459,431</u>	<u>\$1,798,610,096</u>

* Balances have been restated to include infrastructure Inventory as of June 30, 2005.

An additional portion of the City of Bakersfield's net assets (\$96,324,270) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$241,178,977) 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 \$98,150,665 compared to the prior fiscal year. Investment earnings during the current fiscal year increased by \$559,978 compared to the prior year, which represents a 14% increase in investment earnings. This is a result of a slight general economic upturn and related market rate fluctuations.

Governmental activities – Governmental activities increased the City of Bakersfield's net assets by \$76,991,369, 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	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program revenues						
Charges for services	\$ 69,791,170	\$ 89,194,524	\$ 67,571,253	\$ 70,793,030	\$ 137,362,423	\$ 159,987,554
Operating grants and contributions	11,389,303	13,699,627	14,343,274	17,016,789	25,732,577	30,716,416
Capital grants and contributions	23,764,450	18,987,290	1,410,465	449,969	25,174,915	19,437,259
Total Program Revenues	104,944,923	121,881,441	83,324,992	88,259,788	188,269,915	210,141,229
General revenues:						
Taxes:						
Property taxes	39,464,262	49,135,641			39,464,262	49,135,641
Sales taxes	58,465,636	66,495,453			58,465,636	66,495,453
Other taxes	4,268,501	5,074,460			4,268,501	5,074,460
Intergovernmental vehicle in lieu	5,981,308	2,176,967			5,981,308	2,176,967
Grants and contributions not restricted to specific programs	20,776,276	15,184,443			20,776,276	15,184,443
Investment earnings	1,416,716	1,332,755	2,496,861	3,140,800	3,913,577	4,473,555
Miscellaneous	232,035	85,279			232,035	85,279
Gain on sale of property	83,939	673,947			83,939	673,947
Total revenues	235,633,596	262,040,386	85,821,853	91,400,588	321,455,449	353,440,974
Expenses:						
General government	16,258,160	16,387,448			16,258,160	16,387,448
Public safety – Police	53,133,158	59,217,664			53,133,158	59,217,664
Public safety – Fire	28,274,641	29,124,399			28,274,641	29,124,399
Public works	26,874,096	53,935,339			26,874,096	53,935,339
Community services	17,285,798	14,678,060			17,285,798	14,678,060
Development services	7,609,292	9,551,861			7,609,292	9,551,861
Economic/Community de	3,539,604	2,846,210			3,539,604	2,846,210
Interest on long term debt	770,171	678,238			770,171	678,238
Subtotal - Governmental	153,744,920	186,419,219	-	-	153,744,920	186,419,219

CITY OF BAKERSFIELD

Management’s Discussion and Analysis

	Governmental activities		Business-type activities		Total	
	2005	2006	2005	2006	2005	2006
Business Type:						
Wastewater treatment			13,364,173	18,476,617	13,364,173	18,476,617
Refuse collection			28,423,051	32,147,482	28,423,051	32,147,482
Agricultural water			4,016,718	4,269,889	4,016,718	4,269,889
Domestic water			11,755,936	13,516,193	11,755,936	13,516,193
General aviation			282,180	286,651	282,180	286,651
Off-street parking			184,434	174,258	184,434	174,258
Subtotal - Business Type	-	-	58,026,492	68,871,090	58,026,492	68,871,090
Total expenses	153,744,920	186,419,219	58,026,492	68,871,090	211,771,412	255,290,309
Change in net assets before transfers & other items	81,888,676	75,621,167	27,795,361	22,529,498	109,684,037	98,150,665
Transfers	(1,402,957)	1,370,202	(2,168,098)	(1,370,202)	(3,571,055)	-
Change in net assets	80,485,719	76,991,369	25,627,263	21,159,296	106,112,982	98,150,665
Net Assets - Beginning of Year (as restated)	294,415,673 *	1,094,974,213	213,246,624 *	605,485,218	507,662,297 *	1,700,459,431
Net assets - End of Year	\$374,901,392	\$1,171,965,582	\$238,873,887	\$626,644,514	\$ 613,775,279	\$1,798,610,096

* Balances have been restated to include infrastructure Inventory as of June 30, 2005.

For the most part, expenses paralleled the previous fiscal year with the exception of Public Works and the Police Department. Expenses in Public Works increased by \$27,061,243 compared to the prior year. This increase is the result of numerous infrastructure improvements throughout the City of Bakersfield, including \$2.5 million on the Westside Freeway project. Expenses in the Police Department increased due primarily to salary and salary related benefits for new employees. These positions were reinstated from previous years.

Business-type activities – Business-type activities increased the City of Bakersfield’s net assets by \$21,159,296, accounting for approximately 21.6% of the total growth in the government’s net assets.

Charges for services for Business-type activities increased by \$3,221,777, which represents a 5.2% increase over the prior fiscal year revenue figures. Operating grants and contributions for Business-type activities increased by \$2,673,515, which is an 18.6% increase over the prior year revenue figures. The Wastewater Treatment fund and the Refuse Service fund showed the largest increase in expenses over the prior year, with increases of \$5,112,444 and \$3,724,431, respectively. These increase in costs resulted from a combination of additional new customers and increased usage.

Investment earnings increased by \$643,939 for business-type activities because of a slight upturn in economic 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.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

Governmental funds - The focus of the City of Bakersfield's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City 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 \$178,556,946, an increase of \$68,437,622 in comparison with the prior year. Approximately three-fourths of this total amount, \$135,078,021, 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 (\$28,361,033); 2) to be set aside as a cash basis reserve (\$9,265,797); 3) to pay debt service (\$2,225,000); 4) for facility replacement set aside (\$3,605,000), or 5) for a variety of other restricted purposes (\$22,095).

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 \$38,823,130, while total fund balance reached \$49,961,230. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance for the General Fund represents approximately 28.0% of General Fund expenditures. Total fund balance for the General Fund represents approximately 36.0% of General Fund expenditures.

The fund balance of the City of Bakersfield's General Fund grew by \$15,928,553 compared to the prior fiscal year. Key factors in general fund activity are as follows:

- ? Property tax revenues increased by \$9,671,379 compared to the prior year and represents a 24.5% increase over the prior fiscal year. Of this amount supplemental taxes increased by 55% while the vehicle license fee increased by 40% and current secured taxes increased by 16% compared to last year. This increase is the result exceptional sales in new homes.
- ? Sales tax revenues increased by \$8,029,817 over the prior fiscal year, which represents a 13.7% increase in this revenue source. The growth in sales tax revenues is about two times higher than our historic trend level 6% and reflects strong economic growth.

The Transient Occupancy Tax fund has a total fund balance of \$1,009,216 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 expenditures and uses exceeded its revenues by \$72,488. This fund accounts for the local hotel taxes 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 \$3,008,541 and a deficit of \$433,584 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 \$940,133. 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.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

The Gas Tax and Road fund has a reserved fund balance of \$11,940,673 and a deficit of \$4,656,604 in unreserved fund balance that reflected an increase of \$3,852,108. The increase was due to receiving an additional \$3.2 million of Prop 42 Traffic Congestion Relief funds. 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 \$53,971,257, an increase of \$25,300,504 over the previous fiscal year. The increase is due to 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 \$17,981,272 at the end of the current year. Of this amount, \$4,961,771 is reserved for the payment of encumbrances on existing capital projects and \$3,605,000 is reserved for facility replacement set aside. The remaining funds (\$9,414,501) 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 \$5,492,167 at the end of the current year. Of this amount, \$345,051 is reserved for the payment of encumbrances on existing capital projects. The remaining funds (\$5,147,116) 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 \$923,177.

The Transportation Development fund has a total fund balance of \$37,051,448 at the end of the current year. Of this amount, \$6,104,417 is reserved for the payment of encumbrances on existing capital projects. The remaining funds (\$30,947,031) are designated for projects that have been identified as necessary to maintain the level of services required for the regional transportation network.

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 \$422,699,073 at the end of the current year, an increase of \$15,293,690 over the prior year. Total net assets include \$342,108,261 invested in capital assets, which are not available to cover current expenses. \$3,247,716 of total net assets are restricted for capital improvements. The remaining net assets of \$77,243,096 are unrestricted and available to cover current operating and capital needs (including plant and equipment replacement) of the fund.

The Refuse Collection fund has total net assets of \$12,886,035 at the end of the current year, an increase of \$730,470 over the prior year. A portion of net assets (\$5,071,058) 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 \$20,740,270 at the end of the current year, an increase of \$1,062,442 over the prior year. Total net assets include \$19,928,437 invested in capital assets, which are not available to cover current expenses. The remaining net assets (\$811,833) are unrestricted and thus there are no unrestricted funds available to cover current operating and capital needs of the fund.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

The Domestic Water fund has total net assets of \$153,078,713 at the end of the current year, an increase of \$3,869,770 over the prior year. Total net assets include \$143,024,012 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$10,054,701 are unrestricted and available to cover current operating and capital needs of the fund.

The General Aviation fund has total net assets of \$10,044,906 at the end of the current year, an increase of \$100,155 compared to the prior year. Total net assets include \$9,627,154 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$417,752 are unrestricted and available to cover current operating and capital needs of the fund.

The Offstreet Parking fund has total net assets of \$7,329,173 at the end of the current year, a decrease of \$63,381 compared to the prior year. Total net assets include \$7,136,413 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$192,761 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 \$1,536,052,836 (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 \$9,925,507.

The majority of the increase is a result of infrastructure constructed or acquired during the fiscal year. These financial statements include infrastructure assets constructed or acquired through 2005-06 fiscal years.

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

- ? The City has fully implemented the inclusion of all infrastructure assets, as outlined in GASB Statement 34. The restatement of prior year's infrastructure resulted in recording an additional one billion dollars in additional fixed assets. Additional details regarding the restatement are provided in the Notes to the Financial Statements.
- ? 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 \$32,433,507. This figure includes \$8.3 million toward the Park at River Walk; \$18 million toward miscellaneous street and building repairs; \$2.6 million toward miscellaneous signals and interconnects; and \$2.5 million toward the Westside Parkway freeway project.
- ? Construction was completed updating/upgrading the scoreboard and video equipment at the Rabobank Arena and Convention Center totaling \$1.3 million; and various other projects less than \$1 million each totaling \$3.2 million.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

City of Bakersfield – Capital Assets

	Governmental activities		Business-type activities		Total	
	2005	2006	2005	2006	2005	2006
Land and water storage rights	\$ 20,451,695	\$ 31,433,829	\$ 38,924,386	\$ 34,640,957	\$ 59,376,081	\$ 66,074,786
Depreciable buildings, property, equipment and infrastructure, Net	912,685,338 *	919,125,724	504,638,996 *	501,185,592	1,417,324,334 *	1,420,311,316
Construction in progress	43,710,488	32,433,507	5,716,425	17,233,227	49,426,913	49,666,734
Total Capital Assets	<u>\$ 976,847,521</u>	<u>\$ 982,993,060</u>	<u>\$ 549,279,807</u>	<u>\$ 553,059,776</u>	<u>\$ 1,526,127,328</u>	<u>\$ 1,536,052,836</u>

* Prior year balances have been restated to include infrastructure inventory as of June 30, 2005. See note 19.

Long-term debt - At the end of the current fiscal year, the City of Bakersfield had a total bonded debt outstanding of \$24,738,273. The City of Bakersfield's total debt decreased by a net \$3,228,415 during the current fiscal year. The debt reductions were generally the result of normal debt maturities.

City of Bakersfield – Outstanding Debt

	Balance July 1, 2005	Incurred or Issued	Satisfied or Matured	Balance June 30, 2006
Governmental Activities				
Loans payable	\$ 4,739,000	\$ -	\$ 168,000	\$ 4,571,000
Other bonds payable	7,255,000		1,090,000	6,165,000
Total governmental activities	<u>\$ 11,994,000</u>	<u>\$ -</u>	<u>\$ 1,258,000</u>	<u>\$ 10,736,000</u>
Business-Type Activities				
General obligation bonds payable	\$ 2,070,000	\$ -	\$ 1,015,000	\$ 1,055,000
Loans Payable	13,902,687		955,415	12,947,272
Total business-type activities	<u>\$ 15,972,687</u>	<u>\$ -</u>	<u>\$ 1,970,415</u>	<u>\$ 14,002,272</u>

The City of Bakersfield maintains an "Aa3" rating from Moody's for its general obligation (GO) debt issued in 2002. 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. The 2002 GO debt is uninsured. All other rated bonds listed above are insured.

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 58 for capital assets and Note 10 page 65 for long term debt.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget reflect an increase in appropriations of \$7,848,153. Significant budgetary amendments (changes) are summarized as follows:

- ? \$ 500,000 in increases for transfers out to the Equipment fund
- ? \$ 1,570,000 in increases for transfers out to the Capital Outlay fund
- ? \$ 2,603,632 in increases allocated to the Development Services department
- ? \$ 402,458 in increases allocated to the Police department
- ? \$ 1,118,627 in increases allocated to the Fire department
- ? \$ 739,886 in increases allocated to the Public Works department

This increase 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 budget figures were higher than actual expenditures in the General Fund by \$8,258,945. There were no reportable areas or departmental categories where expenditures exceeded appropriations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key assumptions in the General-Fund revenue forecast for fiscal year 2006-07 were:

1. Property tax revenues will increase by 13.0 % due to a rise in assessed valuation and general growth.
2. Sales tax revenues will increase by 7.0 % as a result of anticipated growth in the retail base.
3. Transient Lodging Tax revenues will increase by 4.3% as a result of increased tourism and convention activity.
4. Intergovernmental Vehicle In-Lieu fees will increase by 3.4 % as a result of anticipated growth in vehicle registrations.

New items specifically addressed in the 2006-07 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. Improvements have been made in the City's graffiti removal efforts because of the City Council's action to add new positions and equipment to help fund graffiti removal efforts.

New for the FY 2006-07 is the initial budgeting for operating costs associated with the Thomas Roads Improvement Program (TRIP) Division of the Public Works Department. This division will oversee the federally funded transportation projects the City is pursuing including the Westside Parkway and the TRIP projects.

Recreation and Parks – The Recreation and Parks Department has experienced significant reductions in staff over the past two years and are focusing on restoration of these positions in response to expanded maintenance requirements for parks and median improvements, in addition to meeting our growing recreational needs for our growing population.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

Development Services – The Development Services Department has experienced unprecedented levels of development activity over the past fiscal year and are adding eleven new positions in response to this level of growth. Building permit activities are expected to settle back down to historic normal growth patterns. Over the past year, the Building Division has seen construction activity increase above last year's record levels, reflecting an unprecedented three-year increase since 2002 or 58.9%.

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, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Bakersfield Redevelopment Agency
Assets:				
Current assets:				
Cash and investments	\$ 215,601,827	\$ 93,430,926	\$ 309,032,753	\$ 6,011,713
Accounts receivable, net	3,755,638	4,705,225	8,460,863	240,000
Interest receivable	1,585,816	981,836	2,567,652	59,160
Long-term receivable - current	130,329		130,329	1,245,000
Due from other governmental agencies	19,318,647	1,530,651	20,849,298	150,433
Internal balances	133,657	(133,657)	-	
Prepayments and inventories	1,172,361		1,172,361	
Total current assets	<u>241,698,275</u>	<u>100,514,981</u>	<u>342,213,256</u>	<u>7,706,306</u>
Noncurrent assets				
Capital assets:				
Land and water storage rights	31,433,829	34,640,957	66,074,786	
Land held for resale				5,222,941
Depreciable buildings, property, equipment and infrastructure, net	919,125,724	501,185,592	1,420,311,316	
Construction in progress	32,433,507	17,233,227	49,666,734	
Amortizable costs		67,664	67,664	
Note/loan receivable	5,386,058	12,297,309	17,683,367	35,660,000
Total noncurrent assets	<u>988,379,118</u>	<u>565,424,749</u>	<u>1,553,803,867</u>	<u>40,882,941</u>
Total assets	<u>1,230,077,393</u>	<u>665,939,730</u>	<u>1,896,017,123</u>	<u>48,589,247</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	15,171,773	4,133,791	19,305,564	453,328
Kern River Levee District		298,720	298,720	
Customers' deposits		6,764,011	6,764,011	
Unearned revenue	632,564		632,564	
Deferred revenue		12,295,809	12,295,809	37,145,000
Noncurrent liabilities:				
Due within one year:				
Long-term debt	1,957,000	2,023,070	3,980,070	1,666,253
Claims and judgements payable	6,348,126		6,348,126	
Compensated absences payable	6,310,980	1,230,089	7,541,069	
Due in more than one year:				
Long-term debt	8,779,000	11,979,202	20,758,202	38,370,505
Claims and judgements payable	12,319,928		12,319,928	
Compensated absences payable	6,592,440	570,524	7,162,964	
Total liabilities	<u>58,111,811</u>	<u>39,295,216</u>	<u>97,407,027</u>	<u>77,635,086</u>
Net assets:				
Invested in capital assets, net of related debt	939,282,572	521,824,277	1,461,106,849	
Restricted:				
Current projects	620,618		620,618	
Capital improvements	87,336,669		87,336,669	
Debt services	48,209		48,209	10,413
Housing				1,942,358
Sanitation districts		8,318,774	8,318,774	
Unrestricted	144,677,514	96,501,463	241,178,977	(30,998,610)
Total net assets	<u>\$ 1,171,965,582</u>	<u>\$ 626,644,514</u>	<u>\$ 1,798,610,096</u>	<u>\$ (29,045,839)</u>

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



CITY OF BAKERSFIELD

**Statement of Activities
For the Fiscal Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General Government	\$ 16,387,448	\$ 3,923,612	\$ 482,538	\$ -
Public safety - Police	59,217,664	1,121,545	4,064,519	
Public safety - Fire	29,124,399	3,535,136	98,735	
Public works	53,935,339	61,378,381	3,703,822	12,096,651
Community services	14,678,060	10,577,088	500	6,401,974
Development services	9,551,861	8,658,762	323,733	488,665
Economic/Community dev.	2,846,210		5,025,780	
Interest on long-term debt	678,238			
Total governmental activities	186,419,219	89,194,524	13,699,627	18,987,290
Business-type activities:				
Wastewater treatment	18,476,617	16,742,598	15,008,095	1,008
Refuse collection	32,147,482	33,174,727	5,050	200,312
Agricultural water	4,269,889	5,426,547		-
Domestic water	13,516,193	15,209,139	2,003,644	9,476
General aviation	286,651	135,383	-	239,173
Offstreet parking	174,258	104,636		
Total business-type activities	68,871,090	70,793,030	17,016,789	449,969
Total primary government	\$ 255,290,309	\$ 159,987,554	\$ 30,716,416	\$ 19,437,259
Component unit-				
Bakersfield Redevelopment Agency	\$ 4,407,751	\$ 1,046,287	\$ 44,398	\$ -

General Revenues:

Taxes:

Property taxes

Sales and use tax

Other taxes

Motor fuel taxes

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 (Note 19)

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
\$ 4,406,150	\$ (11,981,298)	\$ -	\$ (11,981,298)	\$ -
5,186,064	(54,031,600)		(54,031,600)	
3,633,871	(25,490,528)		(25,490,528)	
77,178,854	23,243,515		23,243,515	
16,979,562	2,301,502		2,301,502	
9,471,160	(80,701)		(80,701)	
5,025,780	2,179,570		2,179,570	
	(678,238)		(678,238)	
<u>121,881,441</u>	<u>(64,537,778)</u>	<u>-</u>	<u>(64,537,778)</u>	<u>-</u>
31,751,701		13,275,084	13,275,084	
33,380,089		1,232,607	1,232,607	
5,426,547		1,156,658	1,156,658	
17,222,259		3,706,066	3,706,066	
374,556		87,905	87,905	
104,636		(69,622)	(69,622)	
<u>88,259,788</u>	<u>-</u>	<u>19,388,698</u>	<u>19,388,698</u>	<u>-</u>
<u>\$ 210,141,229</u>	<u>(64,537,778)</u>	<u>19,388,698</u>	<u>(45,149,080)</u>	<u>-</u>
<u>\$ 1,090,685</u>				<u>(3,317,066)</u>
	49,135,641		49,135,641	4,612,918
	66,495,453		66,495,453	
	5,074,460		5,074,460	
	2,176,967		2,176,967	
	15,184,443		15,184,443	
	1,332,755	3,140,800	4,473,555	195,468
	85,279		85,279	525
	673,947		673,947	
	1,370,202	(1,370,202)		
	<u>141,529,147</u>	<u>1,770,598</u>	<u>143,299,745</u>	<u>4,808,911</u>
	76,991,369	21,159,296	98,150,665	1,491,845
	<u>1,094,974,213</u>	<u>605,485,218</u>	<u>1,700,459,431</u>	<u>(30,537,684)</u>
	<u>\$ 1,171,965,582</u>	<u>\$ 626,644,514</u>	<u>\$ 1,798,610,096</u>	<u>\$ (29,045,839)</u>



Governmental Fund Financial Statements

CITY OF BAKERSFIELD

**Balance Sheet
Governmental Funds
June 30, 2006**

	General Fund	Transient Occupancy Taxes	Community Development Block Grant	Gas Tax & Road Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and investments	\$ 40,618,620	\$ 23,902	\$ 2,294,234	\$ 2,155,785
Accounts receivable, net	1,923,619	967,702	197,632	22,031
Interest receivable	512,547	17,612	18,907	30,113
Due from other governmental agencies	11,800,408		259,087	6,749,892
Due from other funds	353,531			
Loans receivable			4,461,336	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 55,208,725</u>	<u>\$ 1,009,216</u>	<u>\$ 7,231,196</u>	<u>\$ 8,957,821</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,203,124	\$ -	\$ 37,788	\$ 1,647,721
Due to federal	509,260			
Due to other funds				
Unearned revenue	94,258			4,000
Deferred revenue	3,440,853		4,618,451	22,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,247,495</u>	<u>-</u>	<u>4,656,239</u>	<u>1,673,752</u>
Fund Balances:				
Reserved for:				
Petty cash	22,095			
Encumbrances	1,850,208		3,008,541	11,940,673
Debt service				
Cash basis	9,265,797			
Facility replacement				
Unreserved:				
Designated for:				
Current projects	620,618			
Capital improvements				
Compensated Absences	5,554,097	43,868		74,389
Debt service - Public Financing Authority				
Undesignated, reported in:				
General fund	32,648,415			
Special revenue funds		965,348	(433,584)	(4,730,993)
Capital projects funds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>49,961,230</u>	<u>1,009,216</u>	<u>2,574,957</u>	<u>7,284,069</u>
Total liabilities and fund balances	<u>\$ 55,208,725</u>	<u>\$ 1,009,216</u>	<u>\$ 7,231,196</u>	<u>\$ 8,957,821</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
\$ 53,971,251	\$ 17,306,441 342,940 45,372 499,348	\$ 13,762,449 151,496	\$ 40,447,172 113,000 343,057	\$ 3,749,811 57,605	\$ 174,329,665 3,566,924 1,176,709 19,308,735 353,531 4,461,336
<u>\$ 53,971,251</u>	<u>\$ 18,194,101</u>	<u>\$ 13,913,945</u>	<u>\$ 40,903,229</u>	<u>\$ 3,807,416</u>	<u>\$ 203,196,900</u>
\$ -	\$ 212,829	\$ 7,281,778 1,140,000	\$ 3,364,281 374,500 113,000	\$ 62,743 353,531 159,806	\$ 13,810,264 509,260 1,493,531 632,564 8,194,335
<u>-</u>	<u>212,829</u>	<u>8,421,778</u>	<u>3,851,781</u>	<u>576,080</u>	<u>24,639,954</u>
	4,961,771	345,051	6,104,417	150,372 2,225,000	22,095 28,361,033 2,225,000 9,265,797 3,605,000
53,971,251	9,250,116	1,894,518	22,220,784	48,209	620,618 87,336,669 5,672,354 48,209
	164,385	3,252,598	8,726,247	469,530 338,225	32,648,415 (3,729,699) 12,481,455
<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>\$ 53,971,251</u>	<u>\$ 18,194,101</u>	<u>\$ 13,913,945</u>	<u>\$ 40,903,229</u>	<u>\$ 3,807,416</u>	<u>\$ 203,196,900</u>

CITY OF BAKERSFIELD

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2006**

Total Fund Balances - Total Governmental Funds	\$ 178,556,946
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.	962,937,167
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.	(221,444)
Deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.	8,244,659
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.	45,382,841
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	<u>(22,934,587)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,171,965,582</u></u>

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, 2006**

	<u>General Fund</u>	<u>Transient Occupancy Taxes</u>	<u>Community Development Block Grant</u>	<u>Gas Tax & Road Fund</u>
Revenues:				
Taxes	\$ 128,083,753	\$ 7,456,838	\$ -	\$ -
Licenses and permits	4,279,532			
Intergovernmental	4,689,603		4,329,432	14,663,104
Charges for services	22,643,806	6,198,101		
Fines, forfeitures and assessments	822,606			33,822
Interest income	928,101	14,417	60,489	166,856
Loan payments			1,023,124	
Contributions and donations	918,000	1,200,000		
Other	84,138	1,800	45,920	697,624
	<u>162,449,539</u>	<u>14,871,156</u>	<u>5,458,965</u>	<u>15,561,406</u>
Total revenues				
Expenditures:				
Current:				
General government	9,421,301			
Police	58,971,434			
Fire	28,878,953			
Public works	16,868,292			3,880,670
Community services	12,789,542	6,395,871		
Development services	9,143,519			
Economic/Community development	676,433		2,345,875	
Non departmental	2,113,652	1,963,133		
Capital outlay			1,781,984	7,828,628
Debt service:				
Principal retirement				
Interest and fiscal charges				
	<u>138,863,126</u>	<u>8,359,004</u>	<u>4,127,859</u>	<u>11,709,298</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>23,586,413</u>	<u>6,512,152</u>	<u>1,331,106</u>	<u>3,852,108</u>
Other financing sources (uses):				
Transfers in	2,250,000	50,000		
Transfers out	<u>(9,907,860)</u>	<u>(6,634,640)</u>	<u>(390,973)</u>	
Total other financing sources (uses)	<u>(7,657,860)</u>	<u>(6,584,640)</u>	<u>(390,973)</u>	<u>-</u>
Net change in fund balances	15,928,553	(72,488)	940,133	3,852,108
Fund balances - beginning	<u>34,032,677</u>	<u>1,081,704</u>	<u>1,634,824</u>	<u>3,431,961</u>
Fund balances - ending	<u>\$ 49,961,230</u>	<u>\$ 1,009,216</u>	<u>\$ 2,574,957</u>	<u>\$ 7,284,069</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,540,591
	586,441			697,144	4,279,532
			129,815	1,633,063	24,965,724
28,274,266		5,976,393	23,981,587	1,397,102	30,604,785
1,569,772	205,300	119,246	692,606	179,862	60,485,776
	12,000				3,936,649
	9,343	892,946	270,745		1,023,124
					2,130,000
					2,002,516
<u>29,844,038</u>	<u>813,084</u>	<u>6,988,585</u>	<u>25,074,753</u>	<u>3,907,171</u>	<u>264,968,697</u>
1,307,077	24,047		3,398	3,127	10,758,950
				744,672	59,716,106
		6,339	570,857	174,521	28,878,953
				19,366	21,500,679
					19,204,779
					9,143,519
47,003		1,363,041			3,022,308
3,189,454	8,541,218	4,696,028	9,584,930	122,584	5,486,829
					35,744,826
				1,258,000	1,258,000
				702,386	702,386
<u>4,543,534</u>	<u>8,565,265</u>	<u>6,065,408</u>	<u>10,159,185</u>	<u>3,024,656</u>	<u>195,417,335</u>
<u>25,300,504</u>	<u>(7,752,181)</u>	<u>923,177</u>	<u>14,915,568</u>	<u>882,515</u>	<u>69,551,362</u>
	14,128,760		3,664,118	1,815,455	21,908,333
			(3,664,118)	(2,424,482)	(23,022,073)
	14,128,760			(609,027)	(1,113,740)
25,300,504	6,376,579	923,177	14,915,568	273,488	68,437,622
28,670,747	11,604,693	4,568,990	22,135,880	2,957,848	110,119,324
<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>

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, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ 68,437,622

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. 27,532,097

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. (20,584,865)

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. (834,984)

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.

This amount represents long-term debt repayments. 1,258,000

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. (1,833,049)

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. 24,148

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. 2,992,400

Change in Net Assets of Governmental Activities \$ 76,991,369

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, 2006**

	Wastewater Treatment	Refuse Collection	Agricultural Water
Assets:			
Current assets:			
Cash and investments	\$ 65,460,042	\$ 13,603,833	\$ 1,627,698
Accounts receivable, net	1,480,582	809,540	1,086,837
Interest receivable	704,017	145,077	7,442
Loans			
Due from other governmental agencies	103,968	1,426,300	383
Due from other funds			791,250
Prepayments and inventories			
Total current assets	67,748,609	15,984,750	3,513,610
Noncurrent assets:			
Capital assets:			
Land and water storage rights	10,427,782		10,315,406
Depreciable buildings, property, equipment and infrastructure, net	342,962,371		10,668,031
Construction in progress	14,694,401		
Amortizable costs			
Advance to other funds	2,000,000		
Note/loan receivable			
Other long term receivable	8,083,915		52,275
Total noncurrent assets	378,168,469	-	21,035,712
Total assets	445,917,078	15,984,750	24,549,322
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	601,824	1,989,428	181,750
Claims payable			
Workers compensation claims			
Compensated absences payable	461,516	492,536	206,113
Due to other funds			
Long-term debt - due within one year	752,126		1,055,000
Total current liabilities	1,815,466	2,481,964	1,442,863
Noncurrent liabilities:			
Long-term debt - due in more than one year	10,529,766		
Kern River Levee District/Buena Vista			298,720
Customers' deposits	2,663,050	224,219	
Advance from other funds			2,000,000
Workers compensation claims			
Compensated absences payable	125,808	341,757	67,469
Deferred revenue	8,083,915	50,775	
Total noncurrent liabilities	21,402,539	616,751	2,366,189
Total liabilities	23,218,005	3,098,715	3,809,052
Net assets:			
Invested in capital assets, net of related debt	342,108,261	-	19,928,437
Restricted	3,247,716	5,071,058	
Unrestricted	77,343,096	7,814,977	811,833
Total net assets	\$ 422,699,073	\$ 12,886,035	\$ 20,740,270

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>
\$ 12,137,594	\$ 426,813	\$ 174,946	\$ 93,430,926	\$ 41,272,162
1,328,092	174		4,705,225	188,714
118,885	4,143	2,272	981,836	409,107
			-	130,329
			1,530,651	9,912
			791,250	1,140,000
			-	1,172,361
<u>13,584,571</u>	<u>431,130</u>	<u>177,218</u>	<u>101,439,888</u>	<u>44,322,585</u>
547,102	7,464,254	5,886,413	34,640,957	
144,142,290	2,162,900	1,250,000	501,185,592	20,055,893
2,462,957		75,869	17,233,227	
67,664			67,664	
			2,000,000	
			-	924,722
<u>4,161,119</u>			<u>12,297,309</u>	
<u>151,381,132</u>	<u>9,627,154</u>	<u>7,212,282</u>	<u>567,424,749</u>	<u>20,980,615</u>
<u>164,965,703</u>	<u>10,058,284</u>	<u>7,389,500</u>	<u>668,864,637</u>	<u>65,303,200</u>
1,299,897	566	60,326	4,133,791	630,805
			-	2,875,000
			-	3,473,126
68,057	1,867		1,230,089	638,626
791,250			791,250	
215,944			2,023,070	
<u>2,375,148</u>	<u>2,433</u>	<u>60,326</u>	<u>8,178,200</u>	<u>7,617,557</u>
1,449,436			11,979,202	
			298,720	
3,876,042	700		6,764,011	
			2,000,000	
			-	12,319,928
25,245	10,245		570,524	66,207
<u>4,161,119</u>			<u>12,295,809</u>	<u>50,324</u>
<u>9,511,842</u>	<u>10,945</u>	<u>-</u>	<u>33,908,266</u>	<u>12,436,459</u>
<u>11,886,990</u>	<u>13,378</u>	<u>60,326</u>	<u>42,086,466</u>	<u>20,054,016</u>
143,024,012	9,627,154	7,136,413	521,824,277	20,055,893
			8,318,774	
<u>10,054,701</u>	<u>417,752</u>	<u>192,761</u>	<u>96,635,120</u>	<u>25,193,291</u>
<u>\$ 153,078,713</u>	<u>\$ 10,044,906</u>	<u>\$ 7,329,174</u>	<u>626,778,171</u>	<u>\$ 45,249,184</u>
			(133,657)	
			<u>\$ 626,644,514</u>	

CITY OF BAKERSFIELD**Statement of Revenues, Expenses and Changes in Fund Net Assets****Proprietary Funds****For the Fiscal Year Ended June 30, 2006**

	Wastewater Treatment	Refuse Collection	Agricultural Water
Operating revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	16,371,529	31,378,808	4,153,594
Cost recoveries		1,762,181	262,113
Rental income	362,722		102,873
Other sales or services		23,326	804,598
Miscellaneous	8,347	10,412	103,369
Total operating revenues	<u>16,742,598</u>	<u>33,174,727</u>	<u>5,426,547</u>
Operating expenses:			
General and administrative	9,404,738	30,596,978	3,786,121
Transmission and distribution	431,630	1,302,427	96,632
Workers' compensation payments			
Claims paid			
Depreciation and amortization	8,614,914		422,723
Compensated absences		90,834	27,787
Total operating expenses	<u>18,451,282</u>	<u>31,990,239</u>	<u>4,333,263</u>
Operating income (loss)	<u>(1,708,684)</u>	<u>1,184,488</u>	<u>1,093,284</u>
Nonoperating revenues (expenses):			
Interest income	2,337,670	516,852	23,068
Federal/State grants		199,926	
Contributions		5,050	
Connection fees	15,008,095		
Interest expense	(150,429)		(134,925)
Gain/loss on sale of real property	1,008	386	
Total nonoperating revenues	<u>17,196,344</u>	<u>722,214</u>	<u>(111,857)</u>
Income (loss) before transfers	15,487,660	1,906,702	981,427
Transfers in			81,015
Transfers out	(193,970)	(1,176,232)	
Change in net assets	15,293,690	730,470	1,062,442
Total Net Assets - Beginning of Year as restated (Note 19)	<u>407,405,383</u>	<u>12,155,565</u>	<u>19,677,828</u>
Total Net Assets - End of Year	<u>\$ 422,699,073</u>	<u>\$ 12,886,035</u>	<u>\$ 20,740,270</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
\$ -	\$ -	\$ -	\$ -	\$ 10,000
13,868,192	131,580	104,636	66,008,339	27,151,046
700	3,803		2,028,797	131,181
1,340,247			465,595	
			2,168,171	
			122,128	282,474
<u>15,209,139</u>	<u>135,383</u>	<u>104,636</u>	<u>70,793,030</u>	<u>27,574,701</u>
9,983,701		104,258	53,875,796	20,532,218
149,775	152,457		2,132,921	
			-	1,293,002
			-	1,615,755
3,267,234	134,194	70,000	12,509,065	4,840,568
7,652			126,273	111,212
<u>13,408,362</u>	<u>286,651</u>	<u>174,258</u>	<u>68,644,055</u>	<u>28,392,755</u>
1,800,777	(151,268)	(69,622)	2,148,975	(818,054)
244,719	12,250	6,241	3,140,800	1,095,262
	239,173		439,099	
			5,050	26,572
2,003,644			17,011,739	
(107,831)			(393,185)	
9,476			10,870	370,826
<u>2,150,008</u>	<u>251,423</u>	<u>6,241</u>	<u>20,214,373</u>	<u>1,492,660</u>
3,950,785	100,155	(63,381)	22,363,348	674,606
			81,015	2,483,942
(81,015)			(1,451,217)	
3,869,770	100,155	(63,381)	20,993,146	3,158,548
149,208,943	9,944,751	7,392,554	-	42,090,636
<u>\$ 153,078,713</u>	<u>\$ 10,044,906</u>	<u>\$ 7,329,173</u>		<u>\$ 45,249,184</u>
			166,149	
			<u>\$ 21,159,295</u>	

CITY OF BAKERSFIELD

Statement of Cash Flows (continued)**Proprietary Funds****For the Fiscal Year Ended June 30, 2006**

	<u>Wastewater Treatment</u>	<u>Refuse Collection</u>	<u>Agricultural Water</u>
Cash flows from operating activities:			
Cash received from:			
Customers, including cash deposits	\$ 18,542,371	\$ 32,268,323	\$ 6,130,336
Prior year reimbursements and cost recoveries			
Cash paid to:			
Suppliers	(5,830,640)	(23,715,563)	(2,320,917)
Employees	(3,355,803)	(7,742,561)	(1,443,929)
Cash deposits returned to customers			
Net cash provided (used) by operating activities	<u>9,355,928</u>	<u>810,199</u>	<u>2,365,490</u>
Cash flows from noncapital financing activities:			
Cash received from federal and state grants		199,926	
Cash transferred from other funds			81,015
Cash transferred to other funds	(193,970)	(1,176,232)	
Contributions		5,050	
Connection fees	15,008,095		
Cash reimbursement to General fund			(401,791)
Net cash provided (used) by noncapital financing activities	<u>14,814,125</u>	<u>(971,256)</u>	<u>(320,776)</u>
Cash flows from capital and related financing activities:			
Principal payments:			
Bonds			(1,015,000)
Notes	(752,126)		761,250
Capital debt proceeds			
Capital contributions			
Interest paid	(150,428)		(134,925)
Purchase of capital assets			
Proceeds from sale of capital assets	1,008	386	
Construction	(13,824,803)		
Net cash provided (used) by capital and related financing activities	<u>(14,726,349)</u>	<u>386</u>	<u>(388,675)</u>
Cash flows from investing activities:			
Cash deposits to deferred compensation	(112,900)	(158,913)	(43,968)
Loan to Redevelopment Agency			
Interest received	2,551,049	572,575	15,627
Net increase (decrease) in the fair value of investments	(457,669)	(75,838)	
Net cash provided (used) by investing activities	<u>1,980,480</u>	<u>337,824</u>	<u>(28,341)</u>
Net increase (decrease) in cash	11,424,184	177,153	1,627,698
Cash and cash equivalents - Beginning of year	<u>54,035,858</u>	<u>13,426,680</u>	
Cash and cash equivalents - End of year	<u>\$ 65,460,042</u>	<u>\$ 13,603,833</u>	<u>\$ 1,627,698</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>
\$ 15,346,425 (700)	\$ 130,556 3,803	\$ 104,636	\$ 72,522,647 3,103	\$ 27,296,570 278,547
(9,804,025) (333,778) (206,622)	(104,103) (46,860)	(51,225)	(41,826,473) (12,922,931) (206,622)	(16,863,881) (4,999,168)
<u>5,001,300</u>	<u>(16,604)</u>	<u>53,411</u>	<u>17,569,724</u>	<u>5,712,068</u>
(81,015)	239,173		439,099 -	2,483,942
2,003,644			(1,370,202) 5,050 17,011,739 (401,791)	
<u>1,922,629</u>	<u>239,173</u>	<u>-</u>	<u>15,683,895</u>	<u>2,483,942</u>
(964,539)			(1,015,000) (955,415)	1,321,543 26,571
(107,831) (556,862) 9,476 (1,752,862)	(258,280)	(80,089)	(393,184) (636,951) 10,870 (15,835,945)	(4,038,875) 370,826
<u>(3,372,618)</u>	<u>(258,280)</u>	<u>(80,089)</u>	<u>(18,825,625)</u>	<u>(2,319,935)</u>
(37,048)	(1,206)		(354,035)	(152,090) (785,000)
324,892 (123,825)	13,623 (995)	6,981 (802)	3,484,747 (659,129)	1,201,150 (286,546)
<u>164,019</u>	<u>11,422</u>	<u>6,179</u>	<u>2,471,583</u>	<u>(22,486)</u>
3,715,330	(24,289)	(20,499)	16,899,577	5,853,589
<u>8,422,264</u>	<u>451,102</u>	<u>195,445</u>	<u>76,531,349</u>	<u>35,418,573</u>
<u>\$ 12,137,594</u>	<u>\$ 426,813</u>	<u>\$ 174,946</u>	<u>\$ 93,430,926</u>	<u>\$ 41,272,162</u>

CITY OF BAKERSFIELD

Statement of Cash Flows (concluded)**Proprietary Funds****For the Fiscal Year Ended June 30, 2006**

	<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)	\$ (1,708,684)	\$ 1,184,488	\$ 1,093,284
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	8,614,914		422,722
Amortization expense			
(Increase) decrease in accounts receivable	(273,366)	(906,404)	662,862
Decrease in inventories			
(Increase) decrease in prepaid items			
Increase (decrease) in accounts payable	451,921	284,132	73,939
Increase in workers compensation claims			
Increase (decrease) in deferred revenue		(1,764)	
Increase (decrease) in customers' deposits	2,073,138		40,928
Increase in deposits to deferred compensation	112,900	158,913	43,968
Increase (decrease) in compensated absences	85,105	90,834	27,787
Increase in meter deposits			
Net cash provided (used) by operating activities	<u>\$ 9,355,928</u>	<u>\$ 810,199</u>	<u>\$ 2,365,490</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>
\$ 1,800,777	\$ (151,268)	\$ (69,622)	\$ 2,148,975	\$ (818,054)
3,257,567	134,194	70,000	12,499,397	4,840,568
9,667			9,667	
(86,671)	(1,024)		(604,603)	416
			-	(167,327)
			-	
(41,374)	(406)	53,033	821,245	76,424
			-	1,666,667
			(1,764)	(9,030)
10,764			2,124,830	
37,048	1,206		354,035	152,089
7,652	694		212,072	(29,685)
5,870			5,870	
<u>\$ 5,001,300</u>	<u>\$ (16,604)</u>	<u>\$ 53,411</u>	<u>\$ 17,569,724</u>	<u>\$ 5,712,068</u>

\$ 26,572



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.

CITY OF BAKERSFIELD

Statement of Fiduciary Net Assets**Fiduciary Funds****June 30, 2006**

	<u>Fire Relief and Pension Trust</u>	<u>Agency Funds</u>
Assets:		
Cash and investments	\$ 686,712	\$ 48,346,386
Retirement system investments-		
Federal agency coupons	1,000,000	
Interest receivable	21,906	278,202
Due from other governmental agencies		84,010
	<hr/>	<hr/>
Total assets	1,708,618	48,708,598
	<hr/>	<hr/>
Liabilities -		
Payables:		
Payroll		2,671,803
Deposits		38,949,484
Accrued bond interest		1,782,311
Bonds		5,305,000
		<hr/>
Total liabilities	-	48,708,598
	<hr/>	<hr/>
Net Assets -		
Held in trust for pension benefits and other purposes	\$ 1,708,618	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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

CITY OF BAKERSFIELD

Statement of Changes in Fiduciary Net Assets**Pension Trust Fund****For the Fiscal Year Ended June 30, 2006**

Additions -

Investment income:

Interest income	\$ 65,595
Net depreciation in the fair value of investments	<u>(155)</u>

Total additions	<u>65,440</u>
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Deductions -

Benefits	<u>171,091</u>
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Total deductions	<u>171,091</u>
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Net decrease	(105,651)
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Net assets held in trust for pension benefits -

Beginning of year	<u>1,814,269</u>
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End of year	<u>\$ 1,708,618</u>
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The accompanying notes are an integral part of these financial statements.



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.

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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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.

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 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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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.

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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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.

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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

As of June 30, 2006, 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	\$ 939,282,572	\$ 521,824,277	\$ 1,461,106,849	\$ -	\$ 1,461,106,849
Restricted	88,005,496	8,318,774	96,324,270	1,952,771	98,277,041
Unrestricted	144,677,514	96,501,463	241,178,977	(30,998,610)	210,180,367
Total net assets	\$ 1,171,965,582	\$ 626,644,514	\$ 1,798,610,096	\$ (29,045,839)	\$ 1,769,564,257

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, 2006 are as follows:

	General Fund	Community Development Block Grant Fund	Gas Tax & Road Fund	Capital Outlay Fund	Parks Development Fund	Transportation Development Fund	Non-major Governmental Funds	Trust and Agency Funds	Total
	Petty cash	\$ 22,095	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Encumbrances	1,850,208	3,008,541	11,940,673	4,961,771	345,051	6,104,417	150,372		28,361,033
Debt services							2,225,000		2,225,000
Cash basis	9,265,797								9,265,797
Facility replacement				3,605,000					3,605,000
Pension								1,708,618	1,708,618
	\$ 11,138,100	\$ 3,008,541	\$ 11,940,673	\$ 8,566,771	\$ 345,051	\$ 6,104,417	\$ 2,375,372	\$ 1,708,618	\$ 45,187,543

Petty cash reserve

The City maintains a petty cash fund - \$22,095 at June 30, 2006 - 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, 2006 - \$28,361,033 - 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 - \$9,265,797 at June 30, 2006 - 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, 2006 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	\$ 620,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 620,618
Capital improvements				53,971,251	9,250,116	1,894,518	22,220,784		87,336,669
Compensated Absences	5,554,097	43,868	74,389						5,672,354
Debt services								48,209	48,209
	\$ 6,174,715	\$ 43,868	\$ 74,389	\$ 53,971,251	\$ 9,250,116	\$ 1,894,518	\$ 22,220,784	\$ 48,209	\$ 93,677,850

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 Accountability

Budgets 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, 2006 the City Council approved \$45,761,136 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

Major Governmental Funds	Final Budgeted Amount	Actual	(Negative) Budget Variance
Transient Occupancy Taxes-			
Community services	\$ 5,550,477	\$ 6,395,871	\$ (845,394)
Parks Development			
Non departmental	\$ 1,326,698	\$ 1,363,041	\$ (36,343)

Deficit Fund Equity

No City fund reported a deficit in its equity accounts as of June 30, 2006.

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, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$315,044,466
Fiduciary funds:	
Cash and investments	686,712
Retirement system investments-	
Federal agency coupons	1,000,000
Agency funds	<u>48,346,386</u>
Total cash and investments	<u>\$365,077,564</u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 2,207,099
Deposits with financial institutions	1,595,714
Investments	365,446,781
GASB 31 Market Value Adjustment	<u>(4,172,030)</u>
Total cash and investments	<u>\$365,077,564</u>

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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 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 \$2,588,297 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. 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.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</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	\$47,998,250	\$22,000,000	\$10,999,250	\$14,999,000	\$ -
Federal Home Loan Bank	61,498,900	13,500,000	15,999,750	31,999,150	-
Federal Home Loan Mortgage Corp.	46,991,990	14,000,000	16,997,240	15,994,750	-
Federal National Mortgage Assn.	50,492,825	10,994,375	9,999,215	29,499,235	-
Local Agency Investment Fund	97,489,019	97,489,019	-	-	-
Mutual Funds	58,387,500	58,387,500	-	-	-
Investment Contracts	<u>2,588,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,588,297</u>
Total	<u>\$365,446,781</u>	<u>\$216,370,894</u>	<u>\$53,995,455</u>	<u>\$92,492,135</u>	<u>\$2,588,297</u>

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	\$ 47,998,250	N/A	\$ 47,998,250	\$ -	\$ -
Federal Home Loan Bank	61,498,900	N/A	61,498,900	-	-
Federal Home Loan Mortgage Corp.	46,991,990	N/A	46,991,990	-	-
Federal National Mortgage Assn.	50,492,825	N/A	50,492,825	-	-
Local Agency Investment Fund	97,489,019	N/A	-	-	97,489,019
Mutual Funds	58,387,500	N/A	58,387,500	-	-
Investment Contracts	<u>2,588,297</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>2,588,297</u>
	<u>\$365,446,781</u>		<u>\$265,369,465</u>	<u>\$ -</u>	<u>\$100,077,316</u>

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	\$47,998,250	13%
Federal Home Loan Bank	Federal Agency Securities	\$61,498,900	17%
Federal Home Loan Mortgage Corp.	Federal Agency Securities	\$46,991,990	13%
Federal National Mortgage Assn.	Federal Agency Securities	\$50,492,825	14%

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.

As of June 30, 2006, 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, 2006, 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, 2006 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	\$ -	967,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$967,702
Accounts	1,923,619		197,632	22,031	342,940	113,000	211,375	2,810,597
Gross Receivables	1,923,619	967,702	197,632	22,031	342,940	113,000	211,375	3,778,299
Less: Allowance for Uncollectible	-	-	-	-	-	-	(22,661)	(22,661)
Total Accounts Receivable - Net	\$1,923,619	\$967,702	\$197,632	\$22,031	\$342,940	\$113,000	\$188,714	\$3,755,638

Accounts Receivable - Proprietary Funds:	Wastewater Treatment Fund	Refuse Collection Fund	Agricultural	Domestic	General	Total Business-Type Activities
			Water Fund	Water Fund	Aviation Fund	
Accounts	\$ 1,511,053	\$ 809,540	\$ 1,086,837	\$ 1,328,092	\$ 174	\$4,735,696
Gross Receivables	1,511,053	809,540	1,086,837	1,328,092	174	4,735,696
Less: Allowance for Uncollectible	(30,471)					(30,471)
Total Accounts Receivable - Net	\$1,480,582	\$809,540	\$1,086,837	\$1,328,092	\$ 174	\$4,705,225

Accounts payable and accrued liabilities at June 30, 2006 are composed of the following:

Accounts Payable and Accrued Liabilities - Governmental Activities:	General Fund	Community	Gas Tax	Capital	Parks	Transportation	Non-major	Internal	Total
		Development Block Grant Fund	& Road Fund	Outlay Fund	Development Fund	Development Fund	Governmental Funds	Service Funds	Governmental Activities
Accounts	\$ 1,015,737	\$ 37,788	\$ 1,647,721	\$ 212,829	\$ 7,281,778	\$ 3,364,281	\$ 62,743	\$ 630,805	\$ 14,253,682
Accrued Interest									221,444
Due to federal government	509,260								509,260
Due to other governments	3,892								3,892
Deposits	183,495								183,495
Total Accounts Payable and Accrued Liabilities	\$ 1,712,384	\$ 37,788	\$ 1,647,721	\$ 212,829	\$ 7,281,778	\$ 3,364,281	\$ 62,743	\$ 630,805	\$ 15,171,773

Accounts Payable and Accrued Liabilities - Business Activities:	Wastewater Treatment Fund	Refuse Collection Fund	Agricultural	Domestic	General	Off-street	Total Business-Type Activities
			Water Fund	Water Fund	Aviation Fund	Parking Fund	
Accounts	\$ 601,824	\$ 1,989,428	\$ 178,494	\$ 1,244,153	\$ 566	\$ 60,326	\$ 4,074,791
Accrued interest			3,256	25,467			28,723
Meter deposit				30,277			30,277
Kern River Levee District			298,720				298,720
Total Accounts Payable and Accrued Liabilities	\$ 601,824	\$ 1,989,428	\$ 480,470	\$ 1,299,897	\$ 566	\$ 60,326	\$ 4,432,511

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2006 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	\$ -	\$ 2,343,563	\$ -	\$ 2,343,563	\$ -	\$ -	\$ 2,343,563
Sales Tax		7,835,300		7,835,300			7,835,300
Sales Tax Extension			119,138	119,138			119,138
Property Tax			889,332	889,332	222,677	150,433	1,262,442
Vehicle License Fee		236,678		236,678			236,678
Police Charges	276,412		55,881	332,293			332,293
Fire Services			44,104	44,104			44,104
Economic & Community Development	259,087			259,087			259,087
Department of Transportation	3,824,130	2,925,762		6,749,892			6,749,892
Recreation Facility		499,348		499,348			499,348
Cycle 9 Used Oil Program					7,949		7,949
Green Waste Facility					1,300,025		1,300,025
PERS Retirement		9,912		9,912			9,912
Totals	\$ 4,359,629	\$ 13,850,563	\$ 1,108,455	\$ 19,318,647	\$ 1,530,651	\$ 150,433	\$ 20,999,731

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 June 30, 2005	Additions	Deletions	Balance at June 30, 2006
Land held for resale	\$ 3,402,094	1,820,847	-	\$ 5,222,941

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, 2006 were as follows:

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

	Balance June 30, 2005	Addition	Retirement	Balance June 30, 2006
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 20,451,695	\$ 10,982,134	\$ -	\$ 31,433,829
Construction in progress	43,710,488	9,992,049	21,269,030	32,433,507
Total capital assets, not being depreciated	<u>64,162,183</u>	<u>20,974,183</u>	<u>21,269,030</u>	<u>63,867,336</u>
Capital assets, being depreciated				
Buildings	112,225,898 *	973,320	-	113,199,218
Infrastructure	1,183,752,457 *	23,683,181	-	1,207,435,638
Rolling equipment	47,674,739	3,781,832	2,455,023	49,001,548
Furniture and other equipment	16,974,477 *	3,760,187	339,562	20,395,102
Total capital assets, being depreciated	<u>1,360,627,571</u>	<u>32,198,520</u>	<u>2,794,585</u>	<u>1,390,031,506</u>
Less accumulated depreciated for				
Buildings	(31,934,586) *	(2,742,474)	-	(34,677,060)
Infrastructure	(376,391,710) *	(16,879,365)	-	(393,271,075)
Rolling equipment	(27,956,333)	(4,446,554)	(2,412,835)	(29,990,052)
Furniture and other equipment	(11,659,604) *	(1,357,040)	(49,049)	(12,967,595)
	<u>(447,942,233)</u>	<u>(25,425,433)</u>	<u>(2,461,884)</u>	<u>(470,905,782)</u>
Total Capital Assets, being depreciated, net	<u>912,685,338</u>	<u>6,773,087</u>	<u>332,701</u>	<u>919,125,724</u>
Governmental activities capital assets, net	<u>\$ 976,847,521</u>	<u>\$ 27,747,270</u>	<u>\$ 21,601,731</u>	<u>\$ 982,993,060</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 38,924,386	\$ 107,328	\$ 4,390,757	\$ 34,640,957
Construction in progress	5,716,425	14,553,605	3,036,803	17,233,227
Total capital assets, not being depreciated	<u>44,640,811</u>	<u>14,660,933</u>	<u>7,427,560</u>	<u>51,874,184</u>
Capital assets, being depreciated				
Buildings structures and improvements	118,111,451 *	258,281		118,369,732
Infrastructure	555,490,157 *	7,325,415		562,815,572
Equipment	8,833,155 *	1,462,297	841,859	9,453,593
Total capital assets, being depreciated	<u>682,434,763</u>	<u>9,045,993</u>	<u>841,859</u>	<u>690,638,897</u>
Less accumulated depreciation for				
Buildings structures and improvements	(47,924,842) *	(3,301,246)	(966,490)	(50,259,598)
Infrastructure	(126,082,505) *	(8,643,644)		(134,726,149)
Equipment	(3,788,420) *	(1,520,997) **	(841,859)	(4,467,558)
Total accumulated depreciation	<u>(177,795,767)</u>	<u>(13,465,887)</u>	<u>(1,808,349)</u>	<u>(189,453,305)</u>
Total Capital Assets, being depreciated, net	<u>504,638,996</u>	<u>(4,419,894)</u>	<u>(966,490)</u>	<u>501,185,592</u>
Business-type activities capital assets, net	<u>\$ 549,279,807</u>	<u>\$ 10,241,039</u>	<u>\$ 6,461,070</u>	<u>\$ 553,059,776</u>

* Balances have been restated to include infrastructure as of June 30, 2005. See Note 19

** This amount includes depreciation expense of \$554,507 for a total accumulated depreciation of \$12,499,397. The remaining \$966,490 is an adjustment made in current year due to an actuarial valuation performed in current year.

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	\$ -	\$ 195,473	\$ 195,473
Public safety - Police		1,381,876	1,381,876
Public safety - Fire		687,194	687,194
Public works		21,165,731	21,165,731
Community services		1,851,412	1,851,412
Development services		108,229	108,229
Economic and Community Development		35,518	35,518
	<hr/>	<hr/>	<hr/>
Total	\$ -	\$ 25,425,433	\$ 25,425,433
	<hr/>	<hr/>	<hr/>
Business-type functions:			
Wastewater treatment		\$ 8,614,914	\$ 8,614,914
Agricultural water		422,722	422,722
Domestic water	9,667	3,257,567	3,267,234
General aviation		134,194	134,194
Off-street parking		70,000	70,000
	<hr/>	<hr/>	<hr/>
Total	\$ 9,667	\$ 12,499,397	\$ 12,509,064
	<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%.

\$ 1,055,051

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).

4,461,336

Face value of loans

5,516,387

Less: current portion

130,329

Long-term portion

\$ 5,386,058

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Business-Type Activities

Notes receivable in the wastewater treatment fund and agricultural water fund are for 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. 2,150,803

Long term receivable under agreement 87-153(5) between the City and Dreyer's Grand Ice Cream Inc. for additional flow and and treatment capacity in Waste Water Treatment Plant #3 5,933,112

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. 4,161,119

Total Business-type noncurrent receivables \$ 12,297,309

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>34,805,000</u>
Face value of loans	36,905,000
Less current portion	<u>1,245,000</u>
Long-term portion	<u>\$ 35,660,000</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, 2006 were:

Fund	Due from Other Funds	Due to Other Funds
Governmental Funds:		
Major Funds:		
General Fund	\$ 353,531	\$ -
Parks Development Fund		1,140,000
Non-Major Fund -		
Public Financing Authority Debt Fund		353,531
Proprietary Funds -		
Major Funds:		
Agricultural Water Fund	791,250	
Domestic Water Fund		791,250
Equipment Management	<u>1,140,000</u>	
	<u>\$ 2,284,781</u>	<u>\$ 2,284,781</u>
	Advance from Other Funds	Advance to Other Funds
Proprietary Funds -		
Major Funds:		
Agricultural Water Fund	\$ 2,000,000	\$ -
Wastewater Treatment Fund		<u>2,000,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Interfund transfers at June 30, 2006 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
Major Funds:		
General Fund	\$ 2,250,000	\$ 9,907,860
Transient Occupancy Tax Fund	50,000	6,634,640
Community Development Block Grant Fund		390,973
Capital Outlay Fund	14,128,760	
Transportation Development Fund	3,664,118	3,664,118
Non-Major Funds:		
State Safety Fund		1,000,000
General Obligation Debt	390,973	
Public Financing Authority Debt Service Fund	1,424,482	
Public Financing Authority Capital Project Fund		1,424,482
<u>Proprietary Funds:</u>		
Major Funds:		
Wastewater Treatment Fund		193,970
Refuse Collection Fund		1,176,232
Agricultural Water Fund	81,015	
Domestic Water Fund		81,015
Internal Service Funds	2,483,942	
	<u>\$ 24,473,290</u>	<u>\$ 24,473,290</u>

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

- ? The \$2,250,000 transfer in to the General fund is a transfer from the Transient Occupancy Tax Fund to reduce the General Fund portion of the unfunded liability within the Self Insurance Fund.
- ? The \$1,424,482 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 \$14,128,760 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 \$390,973 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 \$81,015 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 \$2,483,972 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 REVENUE

The following table summarizes deferred revenue for the Reporting Entity at June 30, 2006:

Governmental activities:	<u>Unearned</u>	<u>Unavailable</u>
Dog License	\$ 94,258	\$ -
Governmental Activities:		
General Fund		
California Water Receivable		200,692
Collection Agency Receivable		840,284
Police Service Receivable		56,314
State Agencies (SB90)		<u>2,343,563</u>
General Fund	<u>94,258</u>	<u>3,440,853</u>
Community Development Block Grant Fund - Deferred loans		4,618,451
Gas Tax & Road Fund - Developer Receivables		22,031
Gas Tax & Road Fund - Grants advanced	4,000	
Transportation Development Fund	374,500	113,000
Non-major fund: State Transportation -- Grants advanced	159,806	
Self Insurance Internal Service Fund		50,324
Total Governmental Activities	<u>632,564</u>	<u>8,244,659</u>
Business-type activities:	<u>Unavailable</u>	
Wastewater Treatment	\$ 8,083,915	
Refuse Collection	50,775	
Domestic Water	<u>4,161,119</u>	
Total Business-Type Activities	<u>12,295,809</u>	
Total Deferred Revenue - Primary Government	<u>12,928,373</u>	
Discretely Presented Component Unit:		
Lease Receivable	\$ 34,805,000	
Notes Receivable	2,100,000	
Developers Receivable	240,000	
Total Discretely Presented Component Unit	<u>37,145,000</u>	
Total Reporting Entity	<u>\$ 50,073,373</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, 2006 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, 2005:							
Bonds	\$ 7,255,000	\$ 2,070,000	\$ -	\$ 2,070,000	\$ 9,325,000	\$ -	\$ 9,325,000
Certificates of Participation						33,465,000	33,465,000
Notes	4,739,000	13,902,687		13,902,687	18,641,687		18,641,687
Contracts/Loans						4,311,734	4,311,734
Claims and Judgments Payable	17,001,387				17,001,387		17,001,387
Compensated Absences	11,962,520	1,588,541		1,588,541	13,551,061		13,551,061
Subtotal	40,957,907	17,561,228		17,561,228	58,519,135	37,776,734	96,295,869
New debt incurred:							
Notes							
Certificates of Participation						34,805,000	34,805,000
Contracts/Loans						194,506	194,506
Claims and Judgments Payable	1,666,667				1,666,667		1,666,667
Compensated Absences	8,574,588	1,277,743		1,277,743	9,852,331		9,852,331
Subtotal	10,241,255	1,277,743		1,277,743	11,518,998	34,999,506	46,518,504
Principal reductions:							
Bonds	1,090,000	1,015,000		1,015,000	2,105,000		2,105,000
Certificates of Participation						33,465,000	33,465,000
Notes	168,000	955,415		955,415	1,123,415		1,123,415
Contracts/Loans						59,482	59,482
Claims and Judgments Payable	-				-		-
Compensated Absences	7,633,688	1,065,671		1,065,671	8,699,359		8,699,359
Subtotal	8,891,688	3,036,086		3,036,086	11,927,774	33,524,482	45,452,256
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						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
Total Payables	\$ 42,307,474	\$ 15,802,885	\$ -	\$ 15,802,885	\$ 58,110,359	\$ 40,036,758	\$ 98,147,117

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

	Governmental Activities	Business-Type Activities			Total Primary Government	Discretely Presented Component Unit	Total Reporting Entity
		General Obligations	Revenue Obligations	Total			
Due Within One Year							
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	968,070		968,070	1,145,070		1,145,070
Contracts						421,253	421,253
Claims and Judgments Payable	6,348,126				6,348,126		6,348,126
Compensated Absences	6,310,980	1,230,089		1,230,089	7,541,069		7,541,069
Total Due Within One Year	\$ 14,616,106	\$ 3,253,159	\$ -	\$ 3,253,159	\$ 17,869,265	\$ 1,666,253	\$ 19,535,518
Due in More Than One Year							
Bonds	\$ 4,385,000	\$ -	\$ -	\$ -	\$ 4,385,000	\$ -	\$ 4,385,000
Certificates of Participation						33,560,000	33,560,000
Notes	4,394,000	11,979,202		11,979,202	16,373,202		16,373,202
Contracts						4,810,505	4,810,505
Claims and Judgments Payable	12,319,928				12,319,928		12,319,928
Compensated Absences	6,592,440	570,524		570,524	7,162,964		7,162,964
Total Due in More Than One Year	\$ 27,691,368	\$ 12,549,726	\$ -	\$ 12,549,726	\$ 40,241,094	\$ 38,370,505	\$ 78,611,599

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, 2006 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.) \$ 5,690,000

\$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) 475,000

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

General obligation bonds serviced by business-type activities:

\$4,930,000 City General Obligation Water Refunding Bonds, Series 2002 – due in annual principal installments of \$930,000 to \$1,055,000 commencing December 15, 2002 through 2006; interest ranging from 3.00% to 3.50%. (This issue is

serviced by the Agriculture Water Enterprise Fund.)

1,055,000

Total Bonds – Primary Government/Reporting Entity

\$ 7,220,000

Certificates of Participation:

Certificates of participation serviced by Discretely Presented Component Unit:

\$25,335,000 Bakersfield Redevelopment Agency - 2006 Refunding Certificates of Participation Series 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.)

\$ 25,335,000

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.)

\$ 9,470,000

Total Certificates of Participation -- Discretely Presented Component Unit

\$ 34,805,000

Notes:

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%

\$ 3,820,000

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%

751,000

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 Wastewater Treatment Fund.

11,281,891

\$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 Domestic Water Fund.

1,665,380

Total general obligation notes payable - Primary government

\$ 17,518,271

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.

\$ 1,200,000

\$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.

16,484

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

\$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.	6,338
\$20,000 Bakersfield Redevelopment Agency Ownership Participation Agreement 2001 - tax rebates due in annual principal installments of approximately \$4,000 commencing July 31, 2003 through July 31, 2007 without interest.	-
\$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%.	944,000
\$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>1,750,000</u>
Total Contracts Payable -- Discretely Presented Component Unit	<u>\$ 5,231,758</u>
Compensated Absences:	
Governmental Activities	\$ 12,903,420
Business-type Activities	<u>1,800,613</u>
Total compensated absences - Primary Government/Reporting Entity	<u>\$ 14,704,033</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, 2006 is as follows:

	Primary Government	Component Unit	Reporting Entity
Principal:			
Governmental Activities	\$ 42,307,474	\$ 40,036,758	\$ 82,344,232
Business-Type Activities:			
General Obligations	15,802,885		15,802,885
Revenue Obligations			
Subtotal - Principal	<u>58,110,359</u>	<u>40,036,758</u>	<u>98,147,117</u>
Less: Claims and Judgments Payable included above that bear no interest and have no schedule repayment terms	18,668,054		18,668,054
Less: compensated absences included above that bear no interest and have no schedule repayment terms	<u>14,704,033</u>		<u>14,704,033</u>
Total principal with scheduled repayment terms	24,738,272	40,036,758	64,775,030
Interest on Obligations	<u>5,916,459</u>	<u>16,965,365</u>	<u>22,881,824</u>
Total debt service requirements	<u>\$ 30,654,731</u>	<u>\$ 57,002,123</u>	<u>\$ 87,656,854</u>

The annual requirement to amortize the principal and interest on long-term debt at June 30, 2006 is as follows:

Year ending	Primary Government			Primary Government		
	Principal			Interest		
	Bonds	Notes	Total	Bonds	Notes	Total
2007	\$ 2,835,000	\$ 1,145,071	\$ 3,980,071	\$ 196,127	\$ 468,166	\$ 664,293
2008	870,000	1,167,435	2,037,435	278,532	450,810	729,342
2009	890,000	1,189,626	2,079,626	213,993	429,396	643,389
2010	190,000	1,213,696	1,403,696	174,570	407,131	581,701
2011	2,435,000	1,240,698	3,675,698	84,008	382,812	466,820
2012-2016	-	5,436,114	5,436,114	-	1,582,334	1,582,334
2017-2021	-	5,326,632	5,326,632	-	1,197,863	1,197,863
2022-2024	-	799,000	799,000	-	50,717	50,717
Totals	<u>\$ 7,220,000</u>	<u>\$ 17,518,272</u>	<u>\$ 24,738,272</u>	<u>\$ 947,230</u>	<u>\$ 4,969,229</u>	<u>\$ 5,916,459</u>

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

Year ending	Discretely Presented Component Unit			Discretely Presented Component Unit		
	Principal			Interest		
	COP	Notes	Total	COP	Notes	Total
2007	\$ 1,245,000	\$ 421,253	\$ 1,666,253	\$ 1,668,991	\$ 170,836	\$ 1,839,827
2008	1,630,000	440,416	2,070,416	1,579,044	115,924	1,694,968
2009	1,700,000	454,438	2,154,438	1,508,696	102,931	1,611,627
2010	1,765,000	530,764	2,295,764	1,434,900	223,705	1,658,605
2011	1,845,000	1,149,492	2,994,492	1,358,060	254,015	1,612,075
2012-2016	10,445,000	1,693,395	12,138,395	5,446,844	250,448	5,697,292
2017-2021	13,175,000	309,000	13,484,000	2,582,357	109,689	2,692,046
2022-2024	3,000,000	233,000	3,233,000	138,620	20,305	158,925
Totals	\$ 34,805,000	\$ 5,231,758	\$ 40,036,758	\$ 15,717,512	\$ 1,247,853	\$ 16,965,365

Year Ending	Reporting Entity			Reporting Entity		
	Principal			Interest		
	Bonds/COP	Notes	Total	Bonds/COP	Notes	Total
2007	\$ 4,080,000	\$ 1,566,324	\$ 5,646,324	\$ 1,865,118	\$ 639,002	\$ 2,504,120
2008	2,500,000	1,607,851	4,107,851	1,857,576	566,734	2,424,310
2009	2,590,000	1,644,064	4,234,064	1,722,689	532,327	2,255,016
2010	1,955,000	1,744,460	3,699,460	1,609,470	630,836	2,240,306
2011	4,280,000	2,390,190	6,670,190	1,442,068	636,827	2,078,895
2012-2016	10,445,000	7,129,509	17,574,509	5,446,844	1,832,782	7,279,626
2017-2021	13,175,000	5,635,632	18,810,632	2,582,357	1,307,552	3,889,909
2022-2024	3,000,000	1,032,000	4,032,000	138,620	71,022	209,642
Totals	\$ 42,025,000	\$ 22,750,030	\$ 64,775,030	\$ 16,664,742	\$ 6,217,082	\$ 22,881,824

NOTE 11 - REIMBURSABLE DEVELOPER COSTS

Reimbursable developer costs of \$3,806,091 at June 30, 2006 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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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 2005/06 was 14.775%. 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 2005/06, the City's annual pension cost was \$6,359,212, and the City actually contributed \$6,359,212. The required contribution for fiscal year 2005/06 was determined as part of the June 30, 2003 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 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, 2003 was sixteen years.

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	\$ 861,370	100%	\$ -
6/30/2005	\$ 3,524,661	100%	\$ -
6/30/2006	\$ 6,359,212	100%	\$ -

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

(UNAUDITED) REQUIRED SUPPLEMENTARY INFORMATION
FUNDED STATUS OF MISCELLANEOUS 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) }
6/30/2003	\$ 181,593,404	\$ 198,558,161	\$ 16,964,757	91.50%	\$ 37,993,015	44.70%
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%

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 2005/06 was 26.543%. 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 2005/06, the City’s annual pension cost was \$3,879,961 and the City actually contributed \$3,879,961. The required contribution for fiscal year 2005/06 was determined as part of the June 30, 2003 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, 2003, was twelve years.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

THREE-YEAR TREND INFORMATION FOR THE SAFETY FIRE PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 1,620,310	100%	\$ -
6/30/2005	\$ 3,844,236	100%	\$ -
6/30/2006	\$ 3,879,961	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 Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Actuarial Accrued Liability	Ratio [(A)/(B)]	Payroll	Actuarial Liability as Percentage of Covered Payroll
						{[(B)-(A)]/(E)}
6/30/03	\$ 112,838,988	\$125,111,024	\$ 12,272,036	90.2%	\$12,223,855	100.4%
6/30/04	\$ 119,692,263	\$136,596,056	\$ 16,903,793	87.6%	\$12,719,475	132.9%
6/30/05	\$ 129,535,660	\$145,627,905	\$ 16,092,245	88.9 %	\$13,717,142	117.3%

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 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 2005/06 was 33.064%. The contribution requirements of the plan members are established and may be amended by CalPERS.

Annual Pension Cost: For fiscal year 2005/06, the City's annual pension cost was \$8,258,073, and the City actually contributed \$8,258,073. The required contribution for fiscal year 2005/06 was determined as part of the June 30, 2003 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

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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, 2003, was sixteen years.

THREE-YEAR TREND INFORMATION FOR THE SAFETY POLICE PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/04	\$ 3,526,471	100	\$ -
6/30/05	\$ 6,698,196	100	\$ -
6/30/06	\$ 8,285,073	100	\$ -

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

	(A)	(B)	(C)	(D)	(E)	(F)
		Entry Age	Unfunded	Funded	Covered	Unfunded
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Actuarial Accrued Liability	Ratio [(A)/(B)]	Payroll	Actuarial Liability as Percentage of Covered Payroll $\{[(B)-(A)]/(E)\}$
6/30/2003	\$ 137,228,572	\$ 175,278,288	\$ 38,049,716	78.30%	\$ 22,142,625	171.80%
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%

Fireman's Relief and Pension Fund

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 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, 2006 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	\$ 686,712

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/03	\$ 19,123	N/A	\$ 19,123
6/30/04	\$ 17,026	N/A	\$ 38,675
6/30/05	\$ 13,974	N/A	\$ 54,228

SCHEDULE OF FUNDING PROGRESS

Fiscal Year	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	(C) Unfunded Actuarial Accrued Liability	(D) Funded Ratio [(A)/(B)]	(E) Covered Payroll	(F) Unfunded Actuarial Liability as Percentage of Covered Payroll $\{[(B)-(A)]/(E)\}$
6/30/04	\$ 1,937,190	\$ 2,119,131	\$ 181,941	91%	\$ -	N/A
6/30/05	\$ 1,937,190	\$ 2,119,131	\$ 181,941	91%	\$ -	N/A
6/30/06	\$ 1,686,712	\$ 1,493,173	\$ (193,539)	113%	\$ -	N/A

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 06/30/2006
Assessment District	86-2 (Bakersfield PFA Series B)	\$ 1,855,000
	86-2A	
	86-2B	
	86-2D	
Assessment District	86-2 (Bakersfield PFA Series C)	475,000
	86-2C	
Assessment District	93-1 (Bakersfield PFA Series B)	1,610,000
	93-1A	
Assessment District	93-2 (Stine/Harris)	985,000
Assessment District	93-3 (Cal/Oak)	670,000
Assessment District	94-1 (Renfro-Hughes)	485,000
Assessment District	94-2 (Gosford/White)	500,000
Assessment District	94-3 (Silver Creek-Brimhall, North Seven Oaks, South Laurelglen)	4,440,000
Assessment District	96-1 (Brimhall II/Spring Meadows/Fairways/Campus Park)	655,000
Assessment District	97-1 (Spring Meadows II/Stockdale Highway Commerical)	935,000
Assessment District	98-1 (Brimhall IV/Stockdale Commercial/Gosford Industrial)	3,820,000
Assessment District	99-1 (Polo Greens/Riveroaks)	1,600,000
Assessment District	99-2 (Seven Oaks West)	2,910,000
Assessment District	01-1 (Ming at Allen/Mountain Vista; Hampton Place)	2,145,000
Assessment District	01-2 (Seven Oaks West II/Riverwalk/Southern Oaks)	7,140,000
Assessment District	01-3 (Mountain Vista/San Lauren)	4,550,000
Assessment District	02-1 (Avalon/Belsera/Montara/The Woods)	1,805,000
Assessment District	03-1 (Brighton Place /Silver Creek II)	2,805,000
Assessment District	03-2 (Buena Vista Ranch/Belsera II/ Montera II/ Olive Park II)	2,935,000
Assessment District	03-3 (Seven Oaks West III/Brighton Place)	6,250,000
Assessment District	04-1 (Countryside/The Homestead)	4,195,000
Assessment District	04-2 (BP/BV/ST@Allen Com)	4,915,000
Assessment District	04-3 (Solera/Rio Vista)	3,380,000
Assessment District	05-1 (City in the Hills)	15,595,000
Assessment District	05-3 (Liberty II/Village Green/Tesoro/Encanto)	8,705,000
		<u>\$ 85,360,000</u>

NOTE 14 - RISK MANAGEMENTSelf 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 powers authority for any excess general and property damage liability claims

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

All funds of the City participate in the program and are charged for their share of claim expenditures. The claims liability of \$18,668,054 at June 30, 2006 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
2003-2004	\$ 14,679,078	\$ 1,565,825	\$ --	\$ 16,244,903
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

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, 2006 the City had \$1,061,572 on deposit with ACCEL out of a total of approximately \$13,445,718.

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, 2006 is as follows:

Total assets	\$ 23,419,031
Total liabilities	<u>23,322,493</u>
Total members' equity	<u>\$ 96,538</u>
Total revenues	6,714,600
Total expenses	<u>6,684,693</u>
Net decrease in members' equity	<u>\$ 29,907</u>

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

As of June 30, 2006 ACCEL had no long-term debt.

Included in total liabilities is an estimated retrospectively rated refund of \$13,374,872. 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

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, 2006, 80 pre-1985 employees and 304 post-1985 employees are participating in the plans.

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.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

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 for retirees, 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.

The City recognizes expenditures for benefits as they are paid. For the fiscal year ended June 30, 2006, \$2,770,326 was paid for retiree insurance premiums with the City expending \$1,400,428 and the balance being paid by retirees.

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. As such, the following conduit debt obligations are not reflected in the accompanying basic financial statements:

Revenue Bonds, Series 1985 in the amount of \$2,000,000, with final maturity in December 2005, were issued to finance the acquisition and construction and equipping of Heritage Convalescent Hospital.

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, 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.

NOTE 18 - SUBSEQUENT EVENTS

On September 15, 2006, in Revenue Bond Series B a bond call was done for the amount of \$730,000, which included \$600,000 in Assessment District 93-1A and \$130,000 in Assessment District 86-2A. As a result, the outstanding principal of the Authorities outstanding debt was \$4,385,000 on September 15, 2006.

CITY OF BAKERSFIELD

Notes to the Basic Financial Statements (continued)

NOTE 19– PRIOR PERIOD ADJUSTMENTS

During the fiscal year 2005-2006, the City made the following prior period adjustments to restate the indicated governmental and business-type activity funds' equity to include infrastructure and depreciation related to infrastructure not previously included in the financial statements.

Fund	Fund Balance Accounts		
	July 1, 2005, as previously reported	Adjustment	July 1, 2005, as restated
Wastewater Treatment	\$ 155,305,972	\$ 252,099,411	\$ 407,405,383
Agriculture Water	\$ 15,439,817	\$ 4,238,011	\$ 19,677,828
Domestic Water	\$ 38,935,034	\$ 110,273,909	\$ 149,208,943

Activity	Net Assets		
	July 1, 2005, as previously reported	Adjustment	July 1, 2005, as restated
Governmental Activities	\$ 374,901,392	\$ 720,072,821	\$ 1,094,974,213



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 2004-05 to fiscal year 2005-06 totaled \$126,595,124.

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, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fund Balance, July 1	\$ 10,993,411	\$ 6,940,000	\$ 34,032,677	\$ 27,092,677
Resources (inflows):				
Taxes	109,225,000	110,890,000	128,083,753	17,193,753
Licenses and permits	3,750,000	3,750,000	4,279,532	529,532
Intergovernmental	4,648,495	5,616,994	4,689,603	(927,391)
Charges for services	14,485,000	15,308,683	22,643,806	7,335,123
Fines, forfeitures and assessments	705,000	705,000	822,606	117,606
Interest income	301,000	301,000	928,101	627,101
Contributions and donations	4,000	1,403,892	918,000	(485,892)
Other	84,765	84,765	84,138	(627)
Transfers from other funds	2,250,000	2,250,000	2,250,000	-
Amount available for appropriation	\$ 135,453,260	\$ 140,310,334	\$ 164,699,539	\$ 24,389,205
Charges to appropriations (outflows):				
General government	\$ 10,188,534	\$ 10,628,100	\$ 9,421,301	\$ 1,206,799
Police	59,865,448	60,267,906	58,971,434	1,296,472
Fire	28,624,003	29,742,630	28,878,953	863,677
Public works	17,292,033	18,031,919	16,868,292	1,163,627
Community services	13,216,022	13,686,986	12,789,542	897,444
Development services	8,652,476	11,256,108	9,143,519	2,112,589
Economic development	675,547	724,047	676,433	47,614
Non-departmental	3,163,975	2,695,375	2,113,652	581,723
Contingency	200,000	89,000		89,000
Transfers to other funds	7,303,740	9,907,860	9,907,860	-
Total charges to appropriations	149,181,778	157,029,931	148,770,986	8,258,945
Amount of resources over (under) charges to appropriations	(13,728,518)	(16,719,597)	15,928,553	32,648,150
Fund balance, June 30	\$ (2,735,107)	\$ (9,779,597)	\$ 49,961,230	\$ 59,740,827

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

**Budgetary Comparison Schedule, Transient Occupancy Taxes
For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fund Balance, July 1	\$ 1,081,704	\$ 1,081,704	\$ 1,081,704	\$ -
Resources (inflows):				
Taxes	6,900,000	6,900,000	7,456,838	556,838
Charges for services	5,375,477	5,375,477	6,198,101	822,624
Interest income	25,000	25,000	14,417	(10,583)
Contributions and donations	1,200,000	1,200,000	1,200,000	-
Transfers from other funds		50,000	50,000	-
Other			1,800	1,800
Amount available for appropriation	\$ 13,500,477	\$ 13,550,477	\$ 14,921,156	\$ 1,370,679
Charges to appropriations (outflows):				
Community services	\$ 5,548,299	\$ 5,550,477	\$ 6,395,871	\$ (845,394)
Non-departmental	4,019,915	1,971,275	1,963,133	8,142
Transfers to other funds	4,605,000	6,634,640	6,634,640	-
Total charges to appropriations	14,173,214	14,156,392	14,993,644	(837,252)
Amount of resources over (under) charges to appropriations	(672,737)	(605,915)	(72,488)	533,427
Fund balance, June 30	\$ 408,967	\$ 475,789	\$ 1,009,216	\$ 533,427

**Budgetary Comparison Schedule, Community Development Block Grant
For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fund Balance, July 1	\$ 1,634,824	\$ 1,634,824	\$ 1,634,824	\$ -
Resources (inflows):				
Intergovernmental	5,575,816	13,867,631	4,329,432	(9,538,199)
Charges for services			-	-
Interest income	2,000	51,230	60,489	9,259
Loan payments	244,500	391,469	1,023,124	631,655
Note/certificate proceeds	1,600,000	1,600,000	-	(1,600,000)
Other	3,500	3,500	45,920	42,420
Amount available for appropriation	\$ 7,425,816	\$ 15,913,830	\$ 5,458,965	\$ (10,454,865)
Charges to appropriations (outflows):				
Development and conservation	\$ 3,717,007	\$ 8,884,089	2,345,875	\$ 6,538,214
Capital outlay	3,363,000	6,695,528	1,781,984	4,913,544
Transfer to other funds	390,973	390,973	390,973	-
Total charges to appropriations	7,470,980	15,970,590	4,518,832	11,451,758
Amount of resources over (under) charges to appropriations	(45,164)	(56,760)	940,133	996,893
Fund balance, June 30	\$ 1,589,660	\$ 1,578,064	\$ 2,574,957	\$ 996,893

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

**Budgetary Comparison Schedule, Gas Tax & Road Funds
For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fund Balance, July 1	\$ 3,431,961	\$ 3,431,961	\$ 3,431,961	\$ -
Resources (inflows):				
Intergovernmental	57,183,972	90,303,369	14,663,104	(75,640,265)
Fines, forfeitures and assessments	10,000	10,000	33,822	23,822
Interest income	40,000	40,000	166,856	126,856
Contributions and donations				
Other	39,600	248,774	697,624	448,850
Amount available for appropriation	\$ 57,273,572	\$ 90,602,143	\$ 15,561,406	\$ (75,040,737)
Charges to appropriations (outflows):				
Public works	\$ 4,424,567	\$ 4,424,567	\$ 3,880,670	\$ 543,897
Capital outlay	54,216,220	89,608,581	7,828,628	81,779,953
Transfers to other funds		-	-	
Total charges to appropriations	58,640,787	94,033,148	11,709,298	82,323,850
Amount of resources over (under) charges to appropriations	(1,367,215)	(3,431,005)	3,852,108	7,283,113
Fund balance, June 30	\$ 2,064,746	\$ 956	\$ 7,284,069	\$ 7,283,113

Excess of Expenditures Over Appropriations

For the year ended June 30, 2006, expenditures over appropriations for major governmental funds were as follows:

Major Governmental Funds	Final Budgeted Amount	Actual	(Negative) Budget Variance
Transient Occupancy Taxes-			
Community services	\$ 5,550,477	\$ 6,395,871	\$ (845,394)
Parks Development			
Non departmental	\$ 1,326,698	\$ 1,363,041	\$ (36,343)

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, 2005 (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	06/30/03	181,593,404	198,558,161	16,964,757	91.5%	37,993,015	44.7%
	06/30/04	192,771,610	220,986,653	28,215,043	87.2%	38,144,465	74.0%
	06/30/05	208,030,836	237,796,477	29,765,641	87.5%	40,150,566	74.1%
Police Safety Employees Group	06/30/03	137,228,572	175,278,288	38,049,716	78.3%	22,142,625	171.8%
	06/30/04	147,387,137	194,008,124	46,620,987	76.0%	21,805,516	213.8%
	06/30/05	160,921,545	208,572,116	47,650,571	77.2%	22,543,104	211.4%
Fire Safety Employees Group	06/30/03	112,838,988	125,111,024	12,272,036	90.2%	12,223,855	100.4%
	06/30/04	119,692,263	136,596,056	16,903,793	87.6%	12,719,475	132.9%
	06/30/05	129,535,660	145,627,905	16,092,245	88.9%	13,717,142	117.3%

DEFINED BENEFIT PENSION TRUST

I. Schedules of Funding Progress (Fire - FDRF)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage Of covered Payroll
06/30/97	2,814,608	2,710,838	(103,770)	104%	-0-	N/A
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

CITY OF BAKERSFIELD

Required Supplementary Information (concluded)

II. Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage of ARC Contributed	Net Pension Obligation (NPO)
1997	-0-	N/A	-0-
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

III. Notes to Required Supplementary Information

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.)

Supplementary Information

CITY OF BAKERSFIELD

Statement of Changes in Assets and Liabilities**Agency Funds****For the Fiscal Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Assets				
Cash and investments	\$ 46,512,656	\$ 48,346,386	\$ 46,512,656	\$ 48,346,386
Interest receivable	225,038	278,202	225,038	278,202
Due from other governmental agencies	564,344	84,010	564,344	84,010
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 47,302,038	\$ 48,708,598	\$ 47,302,038	\$ 48,708,598
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities				
Payables:				
Payroll	\$ 6,669,810	\$ 2,671,803	\$ 6,669,810	\$ 2,671,803
Deposits	40,632,228	46,036,795	40,632,228	46,036,795
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 47,302,038	\$ 48,708,598	\$ 47,302,038	\$ 48,708,598
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Non-Major Governmental Funds

CITY OF BAKERSFIELD

Combining Balance Sheet**Nonmajor Governmental Funds****June 30, 2006**

	Special Revenue Funds		Debt Service Funds	
	State (TDA) Transportation	State Safety	General Obligation Debt	Public Financing Authority
Assets:				
Cash and investments	\$ 176,900	\$ 656,155	\$ -	\$ 2,578,531
Accounts receivable, net				
Interest receivable	1,683	7,713		48,209
Due from other governmental agencies	-	-		
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 178,583</u>	<u>\$ 663,868</u>	<u>\$ -</u>	<u>\$ 2,626,740</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 18,777	\$ 43,966	\$ -	\$
Due to other funds				353,531
Unearned revenue	159,806			
Deferred revenue				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>178,583</u>	<u>43,966</u>	<u>-</u>	<u>353,531</u>
Fund Balances:				
Reserved for:				
Encumbrances	6,581	143,791		
Debt service				2,225,000
Unreserved:				
Designated for -				
Capital improvements				
Debt service				48,209
Undesignated	(6,581)	476,111		
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>-</u>	<u>619,902</u>	<u>-</u>	<u>2,273,209</u>
Total liabilities and fund balances	<u>\$ 178,583</u>	<u>\$ 663,868</u>	<u>\$ -</u>	<u>\$ 2,626,740</u>

<u>Capital Projects Fund</u>	
<u>Public Financing Authority</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 338,225	\$ 3,749,811
	-
	57,605
	-
<u>\$ 338,225</u>	<u>\$ 3,807,416</u>
\$ -	\$ 62,743
	353,531
	159,806
	-
<u>-</u>	<u>576,080</u>
	150,372
	2,225,000
	-
	48,209
<u>338,225</u>	<u>807,755</u>
<u>338,225</u>	<u>3,231,336</u>
<u>\$ 338,225</u>	<u>\$ 3,807,416</u>

CITY OF BAKERSFIELD**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2006**

	Special Revenue Funds		Debt Service Fund	
	State (TDA) Transportation	State Safety	General Obligation Debt	Public Financing Authority
Revenues:				
Intergovernmental	\$ 270,205	\$ 426,939	\$ -	\$ -
Charges for services		173,946		
Fines, forfeitures and assessments		1,397,102		
Interest income	3,595	18,782		144,625
Total revenues	<u>273,800</u>	<u>2,016,769</u>	<u>-</u>	<u>144,625</u>
Expenditures:				
Current:				
General government				
Public safety - Police		744,672		
Public works	174,521			
Community Services	19,366			
Non departmental				
Capital outlay	79,913	42,671		
Debt service:				
Principal retirement			168,000	1,090,000
Interest and fiscal charges			222,973	479,413
Total expenditures	<u>273,800</u>	<u>787,343</u>	<u>390,973</u>	<u>1,569,413</u>
Excess (deficiency) of revenues over (under) expenditures		1,229,426	(390,973)	(1,424,788)
Other financing sources (uses):				
Operating transfers in			390,973	1,424,482
Operating transfers out		(1,000,000)		
Total other financing sources (uses)	<u>-</u>	<u>(1,000,000)</u>	<u>390,973</u>	<u>1,424,482</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses		229,426		(306)
Fund balances - July 1		<u>390,476</u>		<u>2,273,515</u>
Fund balances - June 30	<u>\$ -</u>	<u>\$ 619,902</u>	<u>\$ -</u>	<u>\$ 2,273,209</u>

<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Public Financing Authority</u>	
\$ -	\$ 697,144
1,459,117	1,633,063
12,860	1,397,102
<u>1,471,977</u>	<u>179,862</u>
	<u>3,907,171</u>
3,127	3,127
	744,672
	174,521
	19,366
	122,584
	1,258,000
	<u>702,386</u>
<u>3,127</u>	<u>3,024,656</u>
1,468,850	882,515
(1,424,482)	1,815,455
<u>(1,424,482)</u>	<u>(2,424,482)</u>
	<u>(609,027)</u>
44,368	273,488
<u>293,857</u>	<u>2,957,848</u>
<u>\$ 338,225</u>	<u>\$ 3,231,336</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, 2006**

	Self- Insurance	Equipment Management	Totals
Assets:			
Current assets			
Cash and investments	\$ 21,690,230	\$ 19,581,932	\$ 41,272,162
Accounts receivable, net	152,438	36,276	188,714
Interest receivable	216,217	192,890	409,107
Loans		130,329	130,329
Due from other governmental agencies	9,912		9,912
Due from other funds		1,140,000	1,140,000
Prepayments and inventories		1,172,361	1,172,361
Total current assets	<u>22,068,797</u>	<u>22,253,788</u>	<u>44,322,585</u>
Noncurrent assets			
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net		20,055,893	20,055,893
Advance to other funds			-
Note/loan receivable		924,722	924,722
Total noncurrent assets	<u>-</u>	<u>20,980,615</u>	<u>20,980,615</u>
Total assets	<u>22,068,797</u>	<u>43,234,403</u>	<u>65,303,200</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	209,414	421,391	630,805
Claims payable	2,875,000		2,875,000
Workers compensation claims	3,473,126		3,473,126
Compensated absences payable	8,120	630,506	638,626
Total current liabilities	<u>6,565,660</u>	<u>1,051,897</u>	<u>7,617,557</u>
Noncurrent liabilities:			
Workers compensation claims	12,319,928		12,319,928
Compensated absences payable	5,412	60,795	66,207
Deferred revenue	50,324		50,324
Total noncurrent liabilities	<u>12,375,664</u>	<u>60,795</u>	<u>12,436,459</u>
Total liabilities	<u>18,941,324</u>	<u>1,112,692</u>	<u>20,054,016</u>
Net assets:			
Invested in capital assets, net of related debt		20,055,893	20,055,893
Unrestricted	3,127,473	22,065,818	25,193,291
Total net assets	<u>\$ 3,127,473</u>	<u>\$ 42,121,711</u>	<u>\$ 45,249,184</u>

CITY OF BAKERSFIELD

Combining Statement of Activities and Changes in Net Assets**All Internal Service Funds****For the Fiscal Year Ended June 30, 2006**

	Self- Insurance	Equipment Management	Totals
Operating revenues:			
Intergovernmental	\$ -	\$ 10,000	\$ 10,000
Charges for services	9,424,223	17,726,823	27,151,046
Cost recoveries	131,181		131,181
Miscellaneous	3,927	278,547	282,474
	<hr/>	<hr/>	<hr/>
Total operating revenues	9,559,331	18,015,370	27,574,701
Operating expenses:			
General and administrative	3,403,325	6,088,823	9,492,148
Fuel, oil and lubricants		3,381,539	3,381,539
Equipment parts and supplies		6,081,049	6,081,049
Insurance and bonds	1,010,517		1,010,517
Workers' compensation payments	1,293,002		1,293,002
Claims paid	1,615,755		1,615,755
Contractual services	566,965		566,965
Depreciation		4,840,568	4,840,568
Compensated absences		111,212	111,212
	<hr/>	<hr/>	<hr/>
Total operating expenses	7,889,564	20,503,191	28,392,755
Operating income (loss)	<hr/>	<hr/>	<hr/>
	1,669,767	(2,487,821)	(818,054)
Nonoperating revenues (expenses):			
Interest income	670,282	711,526	1,381,808
Net increase (decrease) in the fair value of investments	(147,662)	(138,884)	(286,546)
Contributions		26,572	26,572
Loss on sale of property		(50,411)	(50,411)
Sales of equipment		421,237	421,237
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	522,620	970,040	1,492,660
Income before operating transfers	2,192,387	(1,517,781)	674,606
Operating transfers in		2,483,942	2,483,942
Operating transfers out			-
	<hr/>	<hr/>	<hr/>
Change in net assets	2,192,387	966,161	3,158,548
Total Net Assets - Beginning of Year	<hr/>	<hr/>	<hr/>
	935,086	41,155,550	42,090,636
Total Net Assets - End of Year	<hr/>	<hr/>	<hr/>
	\$ 3,127,473	\$ 42,121,711	\$ 45,249,184

CITY OF BAKERSFIELD

Combining Statement of Cash Flows**All Internal Service Funds****For the Fiscal Year Ended June 30, 2006**

	Self- Insurance	Equipment Management	Totals
Cash flows from operating activities:			
Cash received from:			
Customers	\$ 9,583,931	\$ 17,712,639	\$ 27,296,570
Prior year reimbursements and cost recoveries		278,547	278,547
Cash paid to:			
Suppliers	(5,008,647)	(11,855,234)	(16,863,881)
Employees	(1,496,341)	(3,502,827)	(4,999,168)
Net cash provided by operating activities	<u>3,078,943</u>	<u>2,633,125</u>	<u>5,712,068</u>
Cash flows from noncapital financing activities:			
Cash transferred from other funds		2,483,942	2,483,942
Cash transferred to other funds			-
Net cash provided by noncapital financing activities	<u>-</u>	<u>2,483,942</u>	<u>2,483,942</u>
Cash flows from capital and related financing activities:			
Capital debt proceeds		1,321,543	1,321,543
Capital contributions		26,571	26,571
Purchase of capital assets		(4,038,875)	(4,038,875)
Proceeds from sale of capital assets		370,826	370,826
Net cash used by capital and related financing activities	<u>-</u>	<u>(2,319,935)</u>	<u>(2,319,935)</u>
Cash flows from investing activities:			
Cash deposits to deferred compensation	(30,343)	(121,747)	(152,090)
Loan to Redevelopment Agency		(785,000)	(785,000)
Interest received	604,439	596,711	1,201,150
Net increase in the fair value of investments	(147,662)	(138,884)	(286,546)
Net cash provided by investing activities	<u>426,434</u>	<u>(448,920)</u>	<u>(22,486)</u>
Net increase (decrease) in cash	3,505,377	2,348,212	5,853,589
Cash and cash equivalents - Beginning of year	<u>18,184,853</u>	<u>17,233,720</u>	<u>35,418,573</u>
Cash and cash equivalents - End of year	<u>\$ 21,690,230</u>	<u>\$ 19,581,932</u>	<u>\$ 41,272,162</u>

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

Operating income (loss)	\$ 1,669,767	\$ (2,487,821)	\$ (818,054)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense		4,840,568	4,840,568
(Increase) decrease in accounts receivable	24,600	(24,184)	416
(Increase) decrease in inventories		(167,327)	(167,327)
Decrease in prepaid items			-
Increase (decrease) in accounts payable	(297,965)	374,389	76,424
Increase in workers compensation claims	1,666,667		1,666,667
Increase (decrease) in deferred revenue	(9,030)		(9,030)
Increase in deposits to deferred compensation	30,343	121,746	152,089
Increase (decrease) in compensated absences	(5,439)	(24,246)	(29,685)
Net cash provided by operating activities	<u>\$ 3,078,943</u>	<u>\$ 2,633,125</u>	<u>\$ 5,712,068</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, 2006**

	<u>General Fund</u>
Assets:	
Cash and investments	\$ 40,618,620
Accounts receivable, net	1,923,619
Interest receivable	512,547
Due from other governmental agencies	11,800,408
Due from other funds	353,531
Prepaid items	
	<hr/>
Total assets	<u>\$ 55,208,725</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 1,203,124
Due to federal	509,260
Unearned revenue	94,258
Deferred revenue	<u>3,440,853</u>
	<hr/>
Total liabilities	<u>5,247,495</u>
Fund Balances:	
Reserved for:	
Petty cash	22,095
Prepaid items	
Encumbrances	1,850,208
Cash basis	9,265,797
Unreserved:	
Designated for current projects	620,618
Designated for compensated absences	5,554,097
Undesignated	<u>32,648,415</u>
	<hr/>
Total fund balances	<u>49,961,230</u>
	<hr/>
Total liabilities and fund balances	<u>\$ 55,208,725</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, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes:			
Property taxes	\$ 42,030,000	\$ 49,135,641	\$ 7,105,641
Sales and use taxes	57,845,000	66,495,453	8,650,453
Property transfer tax	1,800,000	2,834,460	1,034,460
Utility franchise tax	4,240,000	4,382,644	142,644
Business license tax	2,735,000	2,995,555	260,555
In lieu and other taxes	2,240,000	2,240,000	-
Total taxes	<u>110,890,000</u>	<u>128,083,753</u>	<u>17,193,753</u>
Licenses and permits:			
Building permits	2,830,000	3,176,048	346,048
Planning permits	70,000	109,553	39,553
Public works permits	259,500	414,318	154,818
Police permits	165,100	148,533	(16,567)
Fire permits	169,700	216,920	47,220
Other licenses and permits	255,700	214,160	(41,540)
Total licenses and permits	<u>3,750,000</u>	<u>4,279,532</u>	<u>529,532</u>
Intergovernmental:			
Federal grants	1,538,979	959,903	(579,076)
State of California	3,718,365	3,276,124	(442,241)
Other grants	359,650	453,576	93,926
Total intergovernmental	<u>5,616,994</u>	<u>4,689,603</u>	<u>(927,391)</u>
Charges for services:			
Building	2,940,000	3,218,534	278,534
Planning	925,500	1,249,832	324,332
Public works	1,820,000	5,576,474	3,756,474
Police	635,000	800,210	165,210
Fire	2,758,000	4,657,889	1,899,889
Recreation and parks	594,000	880,685	286,685
Interfund charges	5,510,000	6,014,441	504,441
Other charges	126,183	245,741	119,558
Total charges for services	<u>15,308,683</u>	<u>22,643,806</u>	<u>7,335,123</u>
Fines, forfeitures and assessments	<u>705,000</u>	<u>822,606</u>	<u>117,606</u>
Miscellaneous:			
Interest income	301,000	1,595,419	1,294,419
Net decrease in the fair value of investments		(667,318)	(667,318)
Contributions and donations	1,403,892	918,000	(485,892)
Other	84,765	84,138	(627)
Total miscellaneous	<u>1,789,657</u>	<u>1,930,239</u>	<u>140,582</u>
Total revenues	<u>138,060,334</u>	<u>162,449,539</u>	<u>24,389,205</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, 2006**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
Current:			
General government	10,628,100	9,421,301	1,206,799
Police	60,267,906	58,971,434	1,296,472
Fire	29,742,630	28,878,953	863,677
Public works	18,031,919	16,868,292	1,163,627
Community services	13,686,986	12,789,542	897,444
Development services	11,256,108	9,143,519	2,112,589
Economic/Community development	724,047	676,433	47,614
Non departmental	2,695,375	2,113,652	581,723
Contingency	89,000		89,000
	<u>147,122,071</u>	<u>138,863,126</u>	<u>8,258,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,061,737)</u>	<u>23,586,413</u>	<u>32,648,150</u>
Other financing sources (uses):			
Operating transfers in	2,250,000	2,250,000	-
Operating transfers out	<u>(9,907,860)</u>	<u>(9,907,860)</u>	<u>-</u>
	<u>(7,657,860)</u>	<u>(7,657,860)</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(7,657,860)</u>	<u>(7,657,860)</u>	<u>-</u>
Net change in fund balances	(16,719,597)	15,928,553	32,648,150
Fund balances - beginning as restated (Note 19)	<u>6,940,000</u>	<u>34,032,677</u>	<u>27,092,677</u>
Fund balances - ending	<u>\$ (9,779,597)</u>	<u>\$ 49,961,230</u>	<u>\$ 59,740,827</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, 2006**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
General Government:			
Mayor	\$ 146,437	\$ 131,976	\$ 14,461
Council	282,237	291,102	(8,865)
City manager	906,206	882,529	23,677
City clerk	682,059	642,783	39,276
Human resources	1,337,552	1,123,139	214,413
Information technology	3,014,058	2,766,814	247,244
Financial services	2,545,141	2,274,706	270,435
City attorney	1,714,410	1,308,252	406,158
	<u>10,628,100</u>	<u>9,421,301</u>	<u>1,206,799</u>
Public Safety:			
Police	60,267,906	58,971,434	1,296,472
Fire	29,742,630	28,878,953	863,677
	<u>90,010,536</u>	<u>87,850,387</u>	<u>2,160,149</u>
Public Works:			
Administration	516,274	526,490	(10,216)
Engineering	5,960,940	5,669,722	291,218
General services	6,330,437	6,006,405	324,032
Streets and roads	5,224,268	4,665,675	558,593
	<u>18,031,919</u>	<u>16,868,292</u>	<u>1,163,627</u>
Community Services:			
Administration	1,018,392	906,211	112,181
Recreation	2,960,408	2,394,641	565,767
Parks	9,708,186	9,488,690	219,496
	<u>13,686,986</u>	<u>12,789,542</u>	<u>897,444</u>
Development Services:			
Planning	4,461,471	3,003,602	1,457,869
Building	6,794,637	6,139,917	654,720
	<u>11,256,108</u>	<u>9,143,519</u>	<u>2,112,589</u>
Economic/Community Development	<u>724,047</u>	<u>676,433</u>	<u>47,614</u>
Non departmental	<u>2,695,375</u>	<u>2,113,652</u>	<u>581,723</u>
Contingency	<u>89,000</u>	<u>89,000</u>	<u>89,000</u>
Total General Fund Expenditures	<u>\$ 147,122,071</u>	<u>\$ 138,863,126</u>	<u>\$ 8,258,945</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, 2006**

	Transient Occupancy Taxes	Community Development Block Grant	Gas Tax & Road Fund	State (TDA) Transportation
Assets:				
Cash and investments	\$ 23,902	\$ 2,294,234	\$ 2,155,785	\$ 176,900
Accounts receivable, net	967,702	197,632	22,031	
Interest receivable	17,612	18,907	30,113	1,683
Due from other governmental agencies		259,087	6,749,892	
Loans receivable		4,461,336		
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,009,216</u>	<u>\$ 7,231,196</u>	<u>\$ 8,957,821</u>	<u>\$ 178,583</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 37,788	\$ 1,647,721	\$ 18,777
Unearned revenue			4,000	159,806
Deferred revenue		4,618,451	22,031	
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>4,656,239</u>	<u>1,673,752</u>	<u>178,583</u>
Fund Balances:				
Reserved for:				
Encumbrances		3,008,541	11,940,673	6,581
Unreserved:				
Designated for compensated absences	43,868		74,389	
Undesignated	965,348	(433,584)	(4,730,993)	(6,581)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>1,009,216</u>	<u>2,574,957</u>	<u>7,284,069</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,009,216</u>	<u>\$ 7,231,196</u>	<u>\$ 8,957,821</u>	<u>\$ 178,583</u>

<u>State Safety</u>	<u>Total</u>
\$ 656,155	\$ 5,306,976
	1,187,365
7,713	76,028
	7,008,979
	4,461,336
<u>\$ 663,868</u>	<u>\$ 18,040,684</u>

\$ 43,966	\$ 1,748,252
	163,806
	4,640,482
<u>43,966</u>	<u>6,552,540</u>

143,791	15,099,586
	118,257
<u>476,111</u>	<u>(3,729,699)</u>
<u>619,902</u>	<u>11,488,144</u>
<u>\$ 663,868</u>	<u>\$ 18,040,684</u>

CITY OF BAKERSFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**All Special Revenue Funds****Year Ended June 30, 2006**

	Transient Occupancy Taxes	Community Development Block Grant	Gas Tax & Road Fund	State (TDA) Transportation
Revenues:				
Taxes	\$ 7,456,838	\$ -	\$ -	\$ -
Intergovernmental		4,329,432	14,663,104	270,205
Charges for services	6,198,101			
Fines, forfeitures and assessments			33,822	
Interest income	14,417	60,489	166,856	3,595
Loan payments		1,023,124		
Note/certificate proceeds				
Contributions and donations	1,200,000			
Other	1,800	45,920	697,624	
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	14,871,156	5,458,965	15,561,406	273,800
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
Public safety - Police				
Public works			3,880,670	174,521
Community services	6,395,871			19,366
Economic/Community development		2,345,875		
Non departmental	1,963,133			
Capital outlay:				
Environmental		268,783		
Transportation		806,760	7,828,282	77,513
Public facilities		706,441		2,400
Equipment			346	
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	8,359,004	4,127,859	11,709,298	273,800
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	6,512,152	1,331,106	3,852,108	
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Operating transfers in	50,000			
Operating transfers out	(6,634,640)	(390,973)		
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing uses	(6,584,640)	(390,973)		
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures and other uses	(72,488)	940,133	3,852,108	
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - July 1 as restated (Note 19)	1,081,704	1,634,824	3,431,961	
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - June 30	\$ 1,009,216	\$ 2,574,957	\$ 7,284,069	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>State Safety</u>	<u>Total</u>
\$ -	\$ 7,456,838
426,939	19,689,680
173,946	6,372,047
1,397,102	1,430,924
18,782	264,139
	1,023,124
	-
	1,200,000
	745,344
<u>2,016,769</u>	<u>38,182,096</u>
744,672	744,672
	4,055,191
	6,415,237
	2,345,875
	1,963,133
	268,783
	8,712,555
21,413	730,254
21,258	21,604
<u>787,343</u>	<u>25,257,304</u>
1,229,426	12,924,792
	50,000
<u>(1,000,000)</u>	<u>(8,025,613)</u>
<u>(1,000,000)</u>	<u>(7,975,613)</u>
229,426	4,949,179
390,476	6,538,965
<u>\$ 619,902</u>	<u>\$ 11,488,144</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, 2006**

	Transient Occupancy Taxes		
	Budget	Actual	Variance
Revenues:			
Taxes	\$ 6,900,000	\$ 7,456,838	\$ 556,838
Intergovernmental			
Charges for services	5,375,477	6,198,101	822,624
Fines, forfeitures and assessments			
Interest income	25,000	14,417	(10,583)
Loan payments			
Note/certificate proceeds			
Contributions and donations	1,200,000	1,200,000	
Other		1,800	1,800
Total revenues	<u>13,500,477</u>	<u>14,871,156</u>	<u>1,370,679</u>
Expenditures:			
Current:			
Public safety - Police			
Public works			
Community services	5,550,477	6,395,871	(845,394)
Development and conservation			
Non departmental	1,971,275	1,963,133	8,142
Capital outlay:			
Environmental-			
Sewers and wastewater			
Transportation:			
Traffic control			
Streets/Freeways			
Bridges			
Curbs, gutters and sidewalks			
Public facilities:			
Buildings			
Parks and landscaping			
Land acquisition			
Other improvements			
Equipment:			
Computers			
Non-automotive			
Total expenditures	<u>7,521,752</u>	<u>8,359,004</u>	<u>(837,252)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,978,725</u>	<u>6,512,152</u>	<u>533,427</u>
Other financing sources (uses):			
Note/certificate proceeds			
Operating transfers in	50,000	50,000	
Operating transfers out	(6,634,640)	(6,634,640)	
Total other financing uses	<u>(6,584,640)</u>	<u>(6,584,640)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(605,915)	(72,488)	533,427
Fund balances - July 1 as restated (Note 19)	<u>1,081,704</u>	<u>1,081,704</u>	
Fund balances - June 30	<u>\$ 475,789</u>	<u>\$ 1,009,216</u>	<u>\$ 533,427</u>

Community Development Block Grant			Gas Tax & Road Fund		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13,867,631	4,329,432	(9,538,199)	90,303,369	14,663,104	(75,640,265)
51,230	60,489	9,259	10,000	33,822	23,822
391,469	1,023,124	631,655	40,000	166,856	126,856
3,500	45,920	42,420	248,774	697,624	448,850
14,313,830	5,458,965	(8,854,865)	90,602,143	15,561,406	(75,040,737)
			4,424,567	3,880,670	543,897
8,884,089	2,345,875	6,538,214			
270,282	268,783	1,499			
2,275,960	806,760	1,469,200	19,468,591	1,520,368	17,948,223
			62,379,219	5,083,561	57,295,658
			6,199,771	1,224,353	4,975,418
3,362,530	246,922	3,115,608			
2,596		2,596			
784,160	459,519	324,641			
			1,561,000	346	1,560,654
15,579,617	4,127,859	11,451,758	94,033,148	11,709,298	82,323,850
(1,265,787)	1,331,106	2,596,893	(3,431,005)	3,852,108	7,283,113
1,600,000		(1,600,000)			
(390,973)	(390,973)				
1,209,027	(390,973)	(1,600,000)	-	-	-
(56,760)	940,133	996,893	(3,431,005)	3,852,108	7,283,113
1,634,824	1,634,824		3,431,961	3,431,961	
\$ 1,578,064	\$ 2,574,957	\$ 996,893	\$ 956	\$ 7,284,069	\$ 7,283,113

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, 2006**

	State (TDA) Transportation		
	Budget	Actual	Variance
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	433,705	270,205	(163,500)
Charges for services			
Fines, forfeitures and assessments			
Interest income	3,000	3,595	595
Loan payments			
Contributions and donations			
Other			
Total revenues	<u>436,705</u>	<u>273,800</u>	<u>(162,905)</u>
Expenditures:			
Current:			
Public safety - Police			-
Public works	293,581	174,521	119,060
Community services	32,800	19,366	13,434
Development services			
Non departmental			
Capital outlay:			
Environmental-			
Sewers and wastewater			
Transportation:			
Traffic control			
Streets/Freeways	114,505	77,513	36,992
Bridges			
Public facilities:			
Buildings			
Parks and landscaping			
Land acquisition			
Other improvements	2,400	2,400	
Equipment:			
Computers			
Non-automotive			
Total expenditures	<u>443,286</u>	<u>273,800</u>	<u>169,486</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)			
Fund balances - June 30	<u>\$ (6,581)</u>	<u>\$ -</u>	<u>\$ 6,581</u>

State Safety			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ 6,900,000	\$ 7,456,838	\$ 556,838
426,939	426,939	-	105,031,644	19,689,680	(85,341,964)
210,000	173,946	(36,054)	5,585,477	6,372,047	786,570
1,325,000	1,397,102	72,102	1,335,000	1,430,924	95,924
10,000	18,782	8,782	129,230	264,139	134,909
			391,469	1,023,124	631,655
			1,200,000	1,200,000	-
			252,274	745,344	493,070
<u>1,971,939</u>	<u>2,016,769</u>	<u>44,830</u>	<u>120,825,094</u>	<u>38,182,096</u>	<u>(82,642,998)</u>
669,179	744,672	(75,493)	669,179	744,672	(75,493)
			4,718,148	4,055,191	662,957
			5,583,277	6,415,237	(831,960)
			8,884,089	2,345,875	6,538,214
			1,971,275	1,963,133	8,142
			270,282	268,783	1,499
			19,468,591	1,520,368	17,948,223
			64,769,684	5,967,834	58,801,850
			6,199,771	1,224,353	4,975,418
567,144	21,413	545,731	3,929,674	268,335	3,661,339
			2,596	-	2,596
			784,160	459,519	324,641
			2,400	2,400	-
21,258	21,258		21,258	21,258	-
			1,561,000	346	1,560,654
<u>1,257,581</u>	<u>787,343</u>	<u>470,238</u>	<u>118,835,384</u>	<u>25,257,304</u>	<u>93,578,080</u>
<u>714,358</u>	<u>1,229,426</u>	<u>515,068</u>	<u>1,989,710</u>	<u>12,924,792</u>	<u>10,935,082</u>
			1,600,000		(1,600,000)
			50,000	50,000	-
<u>(1,000,000)</u>	<u>(1,000,000)</u>		<u>(8,025,613)</u>	<u>(8,025,613)</u>	<u>-</u>
<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(6,375,613)</u>	<u>(7,975,613)</u>	<u>(1,600,000)</u>
(285,642)	229,426	515,068	(4,385,903)	4,949,179	9,335,082
<u>390,475</u>	<u>390,476</u>	<u>1</u>	<u>6,538,964</u>	<u>6,538,965</u>	<u>1</u>
<u>\$ 104,833</u>	<u>\$ 619,902</u>	<u>\$ 515,069</u>	<u>\$ 2,153,061</u>	<u>\$ 11,488,144</u>	<u>\$ 9,335,083</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). The notes are due in annual installments of \$161,000 to \$320,000 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, 2006**

	Public Financing Authority	General Obligation Debt	Total
Assets:			
Cash and investments	\$ 2,578,531	\$ -	\$ 2,578,531
Interest receivable	48,209		48,209
Total assets	<u>\$ 2,626,740</u>	<u>\$ -</u>	<u>\$ 2,626,740</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	\$ 353,531	\$ -	\$ 353,531
Fund Balances:			
Reserved for- Debt service	2,225,000		2,225,000
Unreserved- Debt service	48,209		48,209
Total fund balances	<u>2,273,209</u>	<u>-</u>	<u>2,273,209</u>
Total liabilities and fund balances	<u>\$ 2,626,740</u>	<u>\$ -</u>	<u>\$ 2,626,740</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, 2006**

	Public Financing Authority	General Obligation Debt	Total
Revenues:			
RDA Reimbursement	\$ -	\$ -	\$ -
Interest income	144,625		144,625
	<hr/>	<hr/>	<hr/>
Total revenues	144,625	-	144,625
	<hr/>	<hr/>	<hr/>
Expenditures-			
Debt service:			
Principal retirement	1,090,000	168,000	1,258,000
Interest and fiscal charges	479,413	222,973	702,386
	<hr/>	<hr/>	<hr/>
Total expenditures	1,569,413	390,973	1,960,386
	<hr/>	<hr/>	<hr/>
Deficiency of revenues under expenditures	(1,424,788)	(390,973)	(1,815,761)
	<hr/>	<hr/>	<hr/>
Other financing sources-			
Operating transfers in	1,424,482	390,973	1,815,455
	<hr/>	<hr/>	<hr/>
Total other financing sources	1,424,482	390,973	1,815,455
	<hr/>	<hr/>	<hr/>
Deficiency of revenues and other sources over expenditures	(306)		(306)
	<hr/>	<hr/>	<hr/>
Fund balances - July 1	2,273,515	-	2,273,515
	<hr/>	<hr/>	<hr/>
Fund balances - June 30	\$ 2,273,209	\$ -	\$ 2,273,209
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2006**

	Public Financing Authority		
	Budget	Actual	Variance
Revenues-			
RDA Reimbursement	\$ -	\$ -	\$
Interest income	144,625	144,625	
Total revenues	144,625	144,625	-
Expenditures-			
Debt service:			
Principal retirement	1,090,000	1,090,000	
Interest and fiscal charges	479,415	479,413	2
Total expenditures	1,569,415	1,569,413	2
Deficiency of revenues under expenditures	(1,424,790)	(1,424,788)	2
Other financing sources-			
Operating transfers in	1,424,482	1,424,482	
Total other financing sources	1,424,482	1,424,482	-
Deficiency of revenues and other sources under expenditures	(308)	(306)	2
Fund balances - July 1	2,273,515	2,273,515	
Fund balances - June 30	\$ 2,273,207	\$ 2,273,209	\$ 2

General Obligation Debt			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 75,962	\$ -	\$ (75,962)	\$ 75,962	\$ -	\$ (75,962)
			144,625	144,625	
<u>75,962</u>	<u>-</u>	<u>(75,962)</u>	<u>220,587</u>	<u>144,625</u>	<u>(75,962)</u>
197,000	168,000	29,000	1,287,000	1,258,000	29,000
269,935	222,973	46,962	749,350	702,386	46,964
<u>466,935</u>	<u>390,973</u>	<u>75,962</u>	<u>2,036,350</u>	<u>1,960,386</u>	<u>75,964</u>
(390,973)	(390,973)		(1,815,763)	(1,815,761)	2
<u>390,973</u>	<u>390,973</u>		<u>1,815,455</u>	<u>1,815,455</u>	
<u>390,973</u>	<u>390,973</u>	<u>-</u>	<u>1,815,455</u>	<u>1,815,455</u>	<u>-</u>
			(308)	(306)	2
			<u>2,273,515</u>	<u>2,273,515</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,273,207</u>	<u>\$ 2,273,209</u>	<u>\$ 2</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, 2006**

	Special Assessment Districts	Capital Outlay	Parks Development	Transportation Development
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and investments	\$ 53,971,251	\$ 17,306,441	\$ 13,762,449	\$ 40,447,172
Accounts receivable, net		342,940		113,000
Interest receivable		45,372	151,496	343,057
Due from other governmental agencies		499,348		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 53,971,251</u>	<u>\$ 18,194,101</u>	<u>\$ 13,913,945</u>	<u>\$ 40,903,229</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 212,829	\$ 7,281,778	\$ 3,364,281
Due to other funds			1,140,000	
Advance from other funds				
Unearned revenue				374,500
Deferred revenue				113,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>212,829</u>	<u>8,421,778</u>	<u>3,851,781</u>
Fund Balances:				
Reserved for-				
Encumbrances		4,961,771	345,051	6,104,417
Facility replacement		3,605,000		
Unreserved:				
Designated for-				
Capital improvements	53,971,251	9,250,116	1,894,518	22,220,784
Undesignated		164,385	3,252,598	8,726,247
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>53,971,251</u>	<u>17,981,272</u>	<u>5,492,167</u>	<u>37,051,448</u>
Total liabilities and fund balances	<u>\$ 53,971,251</u>	<u>\$ 18,194,101</u>	<u>\$ 13,913,945</u>	<u>\$ 40,903,229</u>

Public Financing Authority	Total
\$ 338,225	\$ 125,825,538 455,940 539,925 499,348
<u>\$ 338,225</u>	<u>\$ 127,320,751</u>
\$ -	\$ 10,858,888 1,140,000 - 374,500 113,000
<u>-</u>	<u>12,486,388</u>
	11,411,239 3,605,000
<u>338,225</u>	<u>87,336,669</u> <u>12,481,455</u>
<u>338,225</u>	<u>114,834,363</u>
<u>\$ 338,225</u>	<u>\$ 127,320,751</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, 2006**

	Special Assessment Districts	Capital Outlay	Parks Development	Transportation Development
Revenues:				
Intergovernmental	\$ -	\$ 586,441	\$ -	\$ -
Charges for services				129,815
Fines, forfeitures and assessments	28,274,266		5,976,393	23,981,587
Interest income	1,569,772	205,300	119,246	692,606
Note/certificate proceeds		-		
Contributions and donations		12,000		
Other		9,343	892,946	270,745
Total revenues	<u>29,844,038</u>	<u>813,084</u>	<u>6,988,585</u>	<u>25,074,753</u>
Expenditures:				
Current:				
General government	1,307,077	24,047		3,398
Public works			6,339	570,857
Non departmental	47,003		1,363,041	
Capital outlay:				
Environmental				
Transportation	3,189,454	4,937,136		9,584,930
Public facilities		3,311,331	4,696,028	
Equipment		292,751		
Total expenditures	<u>4,543,534</u>	<u>8,565,265</u>	<u>6,065,408</u>	<u>10,159,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,300,504</u>	<u>(7,752,181)</u>	<u>923,177</u>	<u>14,915,568</u>
Other financing sources (uses):				
Operating transfers in		14,128,760		3,664,118
Operating transfers out				(3,664,118)
Total other financing sources (uses)		<u>14,128,760</u>		<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>25,300,504</u>	<u>6,376,579</u>	<u>923,177</u>	<u>14,915,568</u>
Fund balances - July 1	<u>28,670,747</u>	<u>11,604,693</u>	<u>4,568,990</u>	<u>22,135,880</u>
Fund balances - June 30	<u>\$ 53,971,251</u>	<u>\$ 17,981,272</u>	<u>\$ 5,492,167</u>	<u>\$ 37,051,448</u>

Public Financing Authority	Total
\$ -	\$ 586,441
1,459,117	1,588,932
	58,232,246
12,860	2,599,784
	-
	12,000
	1,173,034
<u>1,471,977</u>	<u>64,192,437</u>
3,127	1,337,649
	577,196
	1,410,044
	-
	17,711,520
	8,007,359
	292,751
<u>3,127</u>	<u>29,336,519</u>
<u>1,468,850</u>	<u>34,855,918</u>
	17,792,878
<u>(1,424,482)</u>	<u>(5,088,600)</u>
<u>(1,424,482)</u>	<u>12,704,278</u>
44,368	47,560,196
<u>293,857</u>	<u>67,274,167</u>
<u>\$ 338,225</u>	<u>\$ 114,834,363</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, 2006**

	Special Assessment Districts		
	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services			
Fines, forfeitures and assessments	29,232,654	28,274,266	(958,388)
Interest income	161,000	1,569,772	1,408,772
Note/certificate proceeds			
Contributions and donations			
Other			
Total revenues	<u>29,393,654</u>	<u>29,844,038</u>	<u>450,384</u>
Expenditures:			
Current:			
General government	3,829,938	1,307,077	2,522,861
Public works			
Non departmental	81,168	47,003	34,165
Capital outlay:			
Environmental- Water			
Transportation:			
Traffic control			
Streets	40,809,431	3,189,454	37,619,977
Bridges			
Curb/gutters/sidewalks			
Public facilities:			
Buildings			
Parks and landscaping			
Land acquisition			
Other improvements			
Equipment:			
Vehicles			
Non-automotive			
Furniture			
Total expenditures	<u>44,720,537</u>	<u>4,543,534</u>	<u>40,177,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,326,883)</u>	<u>25,300,504</u>	<u>40,627,387</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>(15,326,883)</u>	<u>25,300,504</u>	<u>40,627,387</u>
Fund balances - July 1	<u>26,611,173</u>	<u>28,670,747</u>	<u>2,059,574</u>
Fund balances - June 30	<u>\$ 11,284,290</u>	<u>\$ 53,971,251</u>	<u>\$ 42,686,961</u>

Capital Outlay			Parks Development		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 2,435,035	\$ 586,441	\$ (1,848,594)	\$ -	\$ -	\$ -
75,000	205,300	130,300	3,921,698	5,976,393	69,246
	12,000	12,000	50,000	119,246	
285,000	9,343	(275,657)		892,946	892,946
2,795,035	813,084	(1,981,951)	3,971,698	6,988,585	962,192
43,391	24,047	19,344	15,000	6,339	8,661
			1,326,698	1,363,041	(36,343)
18,593	6,593	12,000			
10,396,530	4,930,543	5,465,987			
3,075		3,075			
6,988,212	531,747	6,456,465			
2,738,860	655,409	2,083,451	1,049,247	200,762	848,485
			548,050	515,918	32,132
4,127,432	2,124,175	2,003,257	4,852,425	3,979,348	873,077
327,000	292,751				
24,643,093	8,565,265	16,043,579	7,791,420	6,065,408	1,726,012
(21,848,058)	(7,752,181)	14,095,877	(3,819,722)	923,177	4,742,899
14,128,760	14,128,760				
14,128,760	14,128,760	-	-	-	-
(7,719,298)	6,376,579	14,095,877	(3,819,722)	923,177	4,742,899
9,449,693	11,604,693	-	4,568,990	4,568,990	-
\$ 1,730,395	\$ 17,981,272	\$ 14,095,877	\$ 749,268	\$ 5,492,167	\$ 4,742,899

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, 2006**

	Transportation Development		
	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services		129,815	129,815
Fines, forfeitures and assessments	15,878,285	23,981,587	8,103,302
Interest income	300,000	692,606	392,606
Contributions and donations			
Other		270,745	270,745
Total revenues	16,178,285	25,074,753	8,896,468
Expenditures:			
Current:			
General government	57,000	3,398	53,602
Public works	616,335	570,857	45,478
Non departmental			
Capital outlay:			
Environmental-			
Water			
Transportation:			
Traffic control	1,294,961	647,534	647,427
Streets	28,549,525	5,043,702	23,505,823
Bridges	7,536,344	3,738,694	3,797,650
Curb/gutters/sidewalks	260,000	155,000	
Public facilities:			
Buildings			
Parks and landscaping			
Land acquisition			
Other improvements			
Equipment:			
Vehicles			
Non-automotive			
Furniture			
Total expenditures	38,314,165	10,159,185	28,049,980
Excess (deficiency) of revenues over (under) expenditures	(22,135,880)	14,915,568	37,051,448
Other financing sources (uses):			
Operating transfers in	3,664,118	3,664,118	
Operating transfers out	(3,664,118)	(3,664,118)	
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(22,135,880)	14,915,568	37,051,448
Fund balances - July 1	22,135,880	22,135,880	-
Fund balances - June 30	\$ -	\$ 37,051,448	\$ 37,051,448

Public Financing Authority			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ 2,435,035	\$ 586,441	\$ (1,848,594)
1,459,118	1,459,117	(1)	1,459,118	1,588,932	129,814
			49,032,637	58,232,246	9,199,609
2,000	12,860	10,860	588,000	2,599,784	2,011,784
				12,000	12,000
			285,000	1,173,034	888,034
1,461,118	1,471,977	10,859	53,799,790	64,192,437	10,392,647
13,000	3,127	9,873	3,943,329	1,337,649	2,605,680
			631,335	577,196	54,139
			1,407,866	1,410,044	(2,178)
			1,313,554	654,127	659,427
			79,755,486	13,163,699	66,591,787
			7,539,419	3,738,694	3,800,725
			260,000	155,000	105,000
			6,988,212	531,747	6,456,465
			3,788,107	856,171	2,931,936
			548,050	515,918	32,132
			8,979,857	6,103,523	2,876,334
			327,000	292,751	34,249
13,000	3,127	9,873	115,482,215	29,336,519	86,145,696
1,448,118	1,468,850	20,732	(61,682,425)	34,855,918	96,538,343
(1,424,482)	(1,424,482)		17,792,878	17,792,878	
			(5,088,600)	(5,088,600)	
(1,424,482)	(1,424,482)	-	12,704,278	12,704,278	
23,636	44,368	20,732	(48,978,147)	47,560,196	96,538,343
293,857	293,857		63,059,593	67,274,167	4,214,574
\$ 317,493	\$ 338,225	\$ 20,732	\$ 14,081,446	\$ 114,834,363	\$ 100,752,917



Statistical Section

CITY OF BAKERSFIELD

Net Assets by Component (1) Last Five Fiscal Years (2)

	Fiscal Year				
	2002	2003	2004	2005	2006 (3)
Governmental Activities:					
Invested in Capital Assets					
Net of Related Debt	\$ 123,977,879	\$ 170,569,678	\$ 204,064,183	\$ 240,757,766	\$ 939,282,573
Restricted for:					
Current projects	1,833,647	112,430	615,400	247,828	620,618
Capital improvements	37,308,606	41,128,820	34,881,765	47,942,901	87,336,669
Debt services	124,293	121,746	52,236	48,515	48,209
Unrestricted	<u>34,667,793</u>	<u>34,054,800</u>	<u>54,802,089</u>	<u>85,904,382</u>	<u>144,677,516</u>
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>	<u>1,171,965,585</u>
% change from prior year	N/A	20%	16%	21%	68%
Business-type Activities:					
Invested in Capital Assets					
Net of Related Debt	129,638,637	126,242,501	152,050,836	160,979,364	521,824,277
Restricted for:					
Sanitation Districts	2,969,532	3,039,678	3,108,624	8,233,452	8,318,774
Unrestricted	<u>47,565,143</u>	<u>65,092,489</u>	<u>58,087,164</u>	<u>69,661,071</u>	<u>96,501,463</u>
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>	<u>626,644,514</u>
% change from prior year	N/A	7%	9%	11%	62%
Primary Government:					
Invested in Capital Assets					
Net of Related Debt	253,616,516	296,812,179	356,115,019	401,737,130	1,461,106,850
Restricted for:					
Current projects	1,833,647	112,430	615,400	247,828	620,618
Capital improvements	37,308,606	41,128,820	34,881,765	47,942,901	87,336,669
Debt services	124,293	121,746	52,236	48,515	48,209
Housing					
Sanitation Districts	2,969,532	3,039,678	3,108,624	8,233,452	8,318,774
Unrestricted	<u>82,232,936</u>	<u>99,147,289</u>	<u>112,889,253</u>	<u>155,565,453</u>	<u>241,178,979</u>
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>	<u>\$ 1,798,610,099</u>
% change from prior year	N/A	14%	13%	17%	66%

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

CITY OF BAKERSFIELD

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

	Fiscal Year				
	2002	2003	2004	2005	2006 (3)
Expenses					
Governmental activities:					
General Government	\$ 21,461,540	\$ 18,202,526	\$ 18,683,743	\$ 16,258,160	\$ 16,387,448
Public safety:					
Police	39,561,343	44,782,890	48,189,574	53,133,158	59,961,485
Fire	20,754,458	22,844,140	24,238,425	28,274,641	29,046,207
Public works	20,286,811	21,982,599	45,548,570	26,874,096	62,112,582
Community services	16,938,212	16,788,597	16,169,163	17,285,798	10,252,765
Development services	5,551,228	6,241,494	6,217,528	7,609,292	9,291,936
Economic/Community Development	4,516,954	4,756,038	3,859,176	3,539,604	2,743,941
Interest on long-term debt	2,370,180	1,518,569	1,356,008	770,171	678,238
Total governmental activities expenses	<u>131,440,726</u>	<u>137,116,853</u>	<u>164,262,187</u>	<u>153,744,920</u>	<u>190,474,602</u>
Business-type activities:					
Wastewater treatment	13,139,259	12,968,565	13,425,848	13,364,173	18,476,617
Refuse collection	21,380,228	24,136,505	25,889,554	28,423,051	32,147,482
Agricultural water	3,995,511	3,881,162	3,901,437	4,016,718	4,269,889
Domestic water	9,178,806	10,096,232	11,149,998	11,755,936	13,516,193
General aviation	251,692	289,914	262,052	282,180	286,651
Off-street parking	182,039	188,585	188,110	184,434	174,258
Total business-type activities expenses	<u>48,127,535</u>	<u>51,560,963</u>	<u>54,816,999</u>	<u>58,026,492</u>	<u>68,871,090</u>
Total primary government expenses	<u>179,568,261</u>	<u>188,677,816</u>	<u>219,079,186</u>	<u>211,771,412</u>	<u>259,345,692</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	1,670,126	3,347,636	3,557,776	6,213,032	3,923,612
Public safety:					
Police	1,126,188	1,080,696	898,132	2,077,127	1,121,545
Fire	1,487,153	1,880,705	2,075,028	4,313,192	3,535,136
Public works	26,861,214	21,728,972	32,692,425	34,714,601	62,336,769
Community services	8,355,692	8,194,610	8,033,785	8,925,298	10,577,088
Development services	4,329,511	4,654,840	6,589,533	8,547,411	8,658,762
Economic/Community Development	59,351	29,857	23,178	5,000,509	(313,025)
Operating Grants and Contributions	10,632,640	9,770,441	11,778,497	11,389,303	14,012,652
Capital Grants and Contributions	11,383,779	22,513,122	23,229,502	23,764,450	18,987,290
Total governmental activities program revenues	<u>\$ 65,905,654</u>	<u>\$ 73,200,879</u>	<u>\$ 88,877,856</u>	<u>\$ 104,944,923</u>	<u>\$ 122,839,829</u>

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.

CITY OF BAKERSFIELD

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Business-type activities:					
Charges for services					
Wastewater treatment	\$ 17,924,450	\$ 13,977,132	\$ 18,534,135	\$ 17,154,209	\$ 16,742,598
Refuse collection	24,280,782	25,642,724	27,249,735	30,291,605	33,174,727
Agricultural water	3,403,931	3,479,324	3,343,104	6,717,939	5,426,547
Domestic water	10,087,632	10,975,653	12,268,089	13,188,040	15,209,139
General aviation	397,792	122,692	122,132	125,747	135,383
Off-street parking	84,876	85,727	88,665	93,713	104,636
Operating Grants and Contributions	6,628,775	8,433,833	10,713,532	14,343,274	17,016,789
Capital Grants and Contributions	16,453	260,759	1,208,811	1,410,465	449,969
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>	<u>88,259,788</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>	<u>211,099,617</u>
Net (Expenses) Revenues					
Governmental activities	(65,535,072)	(63,915,974)	(75,384,331)	(48,799,997)	(67,634,773)
Business-type activities	<u>14,697,156</u>	<u>11,416,881</u>	<u>18,711,204</u>	<u>25,298,500</u>	<u>19,388,698</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>	<u>(48,246,075)</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	49,135,641
Sales and use tax	43,227,389	45,375,035	49,237,400	58,465,636	66,495,453
Other taxes	2,826,230	3,035,464	3,696,091	4,268,501	5,074,460
Motor vehicle in lieu	13,926,501	15,100,959	13,281,356 (5)	5,981,308	2,176,967
Grants and contributions					
not restricted to specific program	21,688,392	26,325,555	32,531,179	20,776,276	15,184,443
Investment earnings	4,814,801	2,252,054	714,434	1,416,716	1,332,755
Miscellaneous	89,517	142,679	137,346	232,035	85,279
Gain on sale of property	163,877	895,768	18,640	83,939	673,947
Loss on sale of capital asset	(5,282)				
Transfers	(307,430)	311,392	269,316	2,168,098	1,370,202
Reserve transfer to Agency				(3,571,055)	(958,388)
Total governmental activities	<u>107,099,410</u>	<u>116,962,012</u>	<u>123,812,530</u>	<u>129,285,716</u>	<u>140,570,759</u>
Business-type activities:					
Investment earnings	3,130,492	2,172,138	930,304	2,496,861	3,140,800
Miscellaneous		332,562			
Transfers	307,430	(311,392)	(769,552) (4)	(2,168,098)	(1,370,202)
Total business-type activities	<u>3,437,922</u>	<u>2,193,308</u>	<u>160,752</u>	<u>328,763</u>	<u>1,770,598</u>
Total primary government	<u>110,537,332</u>	<u>119,155,320</u>	<u>123,973,282</u>	<u>129,614,479</u>	<u>142,341,357</u>
Change in Net Assets					
Governmental activities	41,564,338	53,046,038	48,428,199	80,485,719	72,935,986
Business-type activities	<u>18,135,078</u>	<u>13,610,189</u>	<u>18,871,956</u>	<u>25,627,263</u>	<u>21,159,296</u>
Total primary government	<u>\$ 59,699,416</u>	<u>\$ 66,656,227</u>	<u>\$ 67,300,155</u>	<u>\$ 106,112,982</u>	<u>\$ 94,095,282</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

CITY OF BAKERSFIELD

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 8,701,244	\$ 10,376,251	\$ 9,420,526	\$ 9,898,314	\$ 11,138,100
Unreserved	10,858,424	9,085,331	16,227,212	24,134,363	38,823,130
Total general fund	19,559,668	19,461,582	25,647,738	34,032,677	49,961,230
All other governmental funds					
Reserved	18,808,728	19,360,697	43,805,667	16,918,396	32,340,825
Unreserved, reported in:					
Special revenue funds	124,293	(1,978,226)	6,695,504	3,418,829	(3,729,699)
Capital projects fund	37,419,606	8,499,121	10,352,393	7,647,901	12,481,455
Permanent funds	8,221,653	41,250,566	52,236	48,101,521	87,503,135
Total all other government funds	<u>\$ 64,574,280</u>	<u>\$ 67,132,158</u>	<u>\$ 60,905,800</u>	<u>\$ 76,086,647</u>	<u>\$ 128,595,716</u>

Notes:

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

Source: City Finance Department

CITY OF BAKERSFIELD

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$ 78,907,131	\$ 84,514,309	\$ 89,363,833	\$ 115,631,300	\$ 135,540,591
Licenses and permits	2,909,850	2,675,401	3,607,543	3,853,451	4,279,532
Intergovernmental	31,574,925	39,841,785	35,973,313	34,255,270	24,965,724
Charges for services	21,455,630	23,451,366	34,924,030	26,675,781	30,604,785
Fines, forfeitures & assessments	19,062,542	16,071,148	17,949,056	31,499,007	61,444,165
Investment earnings	3,859,242	2,008,420	676,118	2,828,081	3,936,649
Miscellaneous	4,297,864	6,029,978	9,935,221	4,825,205	5,231,602
Total Revenues	162,067,184	174,592,407	192,429,114	219,568,095	266,003,048
Expenditures					
General government	7,987,509	8,686,836	9,712,947	8,473,071	10,758,950
Police	38,319,560	43,162,556	47,283,348	53,536,030	59,716,106
Fire	20,190,478	22,379,272	24,144,074	28,115,025	28,878,953
Public works	17,457,421	18,002,954	15,465,572	19,199,433	21,500,679
Community services	15,359,114	15,527,136	14,877,855	16,046,083	19,204,779
Development services	5,448,322	6,127,284	6,164,000	7,607,299	9,143,519
Economic/Community Development	4,519,912	4,691,066	3,818,640	3,541,200	3,022,308
Non departmental	11,662,500	9,281,777	8,888,063	7,726,250	5,486,829
Capital Outlay	19,481,953	35,515,109	41,568,039	41,691,554	35,744,826
Debt Service					
Principal	4,225,000	4,350,000	17,150,000	2,026,000	1,287,000
Interest	2,138,702	1,871,844	1,305,966	811,755	749,348
Other charges					
Total Expenditures	146,790,471	169,595,834	190,378,504	188,773,700	195,493,297
Excess of revenues over (under) expenditures	15,276,713	4,996,573	2,050,610	30,794,395	70,509,751
Other financing sources (uses)					
Transfers in	11,993,869	15,704,214	18,817,358	15,171,629	21,908,333
Transfers out	(13,851,887)	(18,240,995)	(20,908,170)	(27,063,316)	(23,980,461)
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)	(2,072,128)
Net changes in fund balances	\$ 13,418,695	\$ 2,459,792	\$ (40,202)	\$ 18,902,708	\$ 68,437,623
Debt service as a percentage of non capital expenditures	5.4%	5.5%	15.3%	2.2%	1.4%

Source: City Finance Department

CITY OF BAKERSFIELD

**Governmental Activities Tax Revenues By Source
Last Five 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

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

**Assessed Value and Estimated Actual Value of Taxable Property
Last Five Fiscal Years**

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

(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 2005-06 Combined Tax Rolls.

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

CITY OF BAKERSFIELD

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Direct Rate	0.2270	0.1840	0.1840	0.1840	0.1840
Overlapping Rates:					
Bakersfield School	0.2030	0.2030	0.2030	0.2030	0.2030
Kern High School	0.1920	0.1920	0.1920	0.1920	0.1920
Kern County	0.2780	0.1700	0.1700	0.1700	0.1700
Education Revenue Augmentation Fund	0.0000	0.1585	0.1585	0.1585	0.1585
Kern Community College	0.0580	0.0580	0.0580	0.0580	0.0580
Education	0.0190	0.0187	0.0187	0.0187	0.0187
Kern Mosquito Abatement	0.0124	0.0077	0.0077	0.0077	0.0077
Kern County Water Agency	0.0068	0.0061	0.0061	0.0061	0.0061
Bakersfield Sep Gr	0.0024	0.0008	0.0008	0.0008	0.0008
Kern River Levee	0.0007	0.0006	0.0006	0.0006	0.0006
County Advertising	<u>0.0009</u>	<u>0.0006</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>	<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.

Source: HdL Coren & Cone, Kern County Assessor 2005-06 Combined Tax Rolls.

CITY OF BAKERSFIELD

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

Taxpayer	2002			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Castle & Cooke Comm. Inc.	\$ 92,367,104	2	0.86%	\$ 136,155,602	1	0.83%
Dreyers Grand Ice Cream Inc.	-	-	0.00%	131,771,778	2	0.80%
Bakersfield Mall LLC	113,649,671	1	1.05%	116,057,765	3	0.70%
Chevron USA Inc.	-	-	0.00%	67,905,338	4	0.41%
State Farm Insurance Company	57,276,775	4	0.53%	57,700,000	5	0.35%
GSF Properties Inc.	-	-	0.00%	56,663,032	6	0.34%
Bear Mountain Limited	37,312,000	5	0.35%	43,657,000	7	0.26%
Albertson's Inc.	-	-	0.00%	39,124,165	8	0.24%
Mac Duff Living Trust	-	-	0.00%	31,356,291	9	0.19%
Nakanogumi Corporation SBD Group Inc.	-	-	0.00%	17,500,000	10	0.11%
Total taxable assessed value of ten (10) Largest taxpayers	\$ 300,605,550		2.79%	\$ 697,890,971		4.23%
Total taxable assessed value of other taxpayers	10,478,201,041		97.21%	16,190,982,437		95.77%
Total taxable assessed value of all taxpayers	<u>\$ 10,778,806,591</u>		<u>100.00%</u>	<u>\$ 16,888,873,408</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 2005/06 Combined Tax Rolls

CITY OF BAKERSFIELD

**Property Tax Levies and Collections
Last Five 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%

Notes:

(1) Excludes Redevelopment property tax increment.

Source: City Finance Department

CITY OF BAKERSFIELD

Ratio of General Bonded Debt Outstanding**Last Five Fiscal Years****(amounts expressed in thousands, except per capita amount)**

<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

Notes:

Includes all long-term general obligation bonded debt.

(1) State Department of Finance

Source: City Finance Department

CITY OF BAKERSFIELD

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

Fiscal Year	Governmental Activities				Total Governmental Activities	Sewer Bonds
	Revenue Bonds	Notes	Claims and Judgments Payable	Compensated Absences		
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	-

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.

(2) State Department of Finance

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	0.37%	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	0.00%	186

CITY OF BAKERSFIELD

**Direct and Overlapping Debt
As of June 30, 2006**

2005-06 Assessed Valuation	\$ 16,888,873,408		
Redevelopment Incremental Valuation	400,610,156		
Adjusted Assessed Valuation	<u>\$ 16,488,263,252</u>		
		Estimated	Estimated
	Debt	Percentage	Share of
	Outstanding (2)	Applicable (3)	Overlapping
			Debt
<u>Overlapping Tax and Assessment Debt</u>			
Kern Community College District Safety			
School Facilities Improvement District	\$ 56,526,680	32.353%	\$ 18,288,077
Kern High School District	132,010,000	48.816	64,442,002
Bakersfield City School District	23,220,027	69.316	16,095,194
Beardsley School District	7,360,000	23.958	1,763,309
Fairfax School District	3,974,857	20.757	825,061
Fruitvale School District	11,905,000	78.272	9,318,282
Greenfield Union School District	10,545,000	81.966	8,643,315
Lamont School District	2,804,872	0.024	673
Norris School District	3,561,405	54.603	1,944,634
Panama-Buena Vista Union School District	6,665,000	96.372	6,423,194
Rio Bravo Greeley Union School District	7,631,280	0.021	1,603
Rosedale Union School District	2,575,000	52.165	1,343,249
Olcese Water District	675,000	100	675,000
Cawelo Water District	935,000	41.728	390,157
Kern Delta Water District	2,155,000	69.603	1,499,945
Kern Community College District			
Assessment District	6,605,000	35.170	2,322,979
RNR School Financing Authority	38,675,000	56.917	22,012,650
Total Overlapping Tax and Assessment Debt	<u>\$ 317,824,121</u>		<u>\$ 155,989,324</u>
<u>Overlapping General Fund Debt</u>			
Kern County Certificates of Participation	\$ 73,807,000	29.984%	\$ 22,130,291
Kern County Pension Obligations	489,906,067	29.984	146,893,435
Certificates of Participation:			
Kern County Board of Education	58,210,000	29.984	17,453,686
Kern County Community College District	85,560,000	29.355	25,116,138
Kern High School District	95,300,000	48.816	46,521,648
Bakersfield City School District	3,810,000	69.316	2,640,940
Lakeside Union School District	12,245,000	41.365	5,065,144
Standard School District	4,810,000	1.199	57,672
Total Overlapping General Fund Debt	<u>\$ 823,648,067</u>		<u>\$ 265,878,954</u>
<u>Direct Debt</u>			
City of Bakersfield			
Public Financing Authority Revenue Bonds			<u>3,891,791</u>
Total Direct and Overlapping Debt			<u>\$ 425,760,069</u>

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, 2006

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

CITY OF BAKERSFIELD

**Pledged - Revenue Coverage
Last Five 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	-	-	0.00

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.

(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 Five 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	17,864	24,335	30.1	72.8%	28,315	12.6%
2004-05	295,893	18,876	24,941	29.8	72.2%	28,234	8.3%
2005-06	311,824	-	-	-	-	27,890	7.6%

Notes:

(1) State Department of Finance

(2) US Dept of Commerce Bureau of Economic Analysis As available, figures and estimates should be used for general purposes only.

(3) U.S. Census Bureau estimates as available.

(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.)

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
1996-97	102	\$ 42,352	1,352	\$ 132,785	\$ 40,459
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	99	35,691	2,176	350,699	50,677

Notes:

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

(2) Federal Deposit Insurance Corporation

Source: City Finance Department

Total Construction		
No. of Units	Value	Bank Deposits (2)
1,454	\$ 215,596	\$ 2,310,008
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
2,275	437,067	4,376,691

CITY OF BAKERSFIELD

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

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Police					
Physical arrests			14,380	14,567	16,677
Parking violations	10,772	10,407	10,139	9,992	10,572
Traffic violations	27,688	35,813	32,475	22,833	
Fire					
Number of calls answered	16,695	21,727	23,101	24,348	25,735
Inspections		3,496	2,555	3,610	3,906
Highway and streets					
Street resurfacing (lane miles)	61	55	18	22	73
Potholes repaired					
Sanitation					
Refuse collected (tons/day)	71,649	74,400	80,246	85,332	91,110
Recyclables collected (tons/day)	22,358	24,808	28,032	31,155	34,588
Culture and recreation					
Athletic field permits issued	2,880	2,940	3,036	3,396	3,528
Community center admissions	44,637	74,060	61,216	59,962	89,478
Water					
New Connections	1,523	1,739	1,518	2,056	2,109
Water mains break	38	47	15	42	43
Average daily consumption (thousands of gallons)	27,763	29,011	31,691	31,790	32,139
Wastewater					
Average daily sewage treatment (millions of gallons)	28.18 MGD	28.72 MGD	30.05 MGD	29.95 MGD	30.543 MGD

Source: City Finance Department

CITY OF BAKERSFIELD

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

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Land					
Area	115.14	116.44	117.42	118.51	120.85
Public Safety					
Police Stations	3	3	4	4	4
Fire Stations	12	12	13	13	13
Sanitation					
Collection trucks	34	35	38	42	44
Highways and Streets					
Streets (miles)	909	942	983	1,028	1,069
Streetlights	11,747	12,056	12,756	13,316	14,101
Traffic signals	264	268	280	293	302
Culture and recreation					
Parks acreage	399	399	398	432	432
Parks	45	46	45	46	46
Swimming pools	9	9	7	6	6
Tennis courts	11	11	11	11	11
Community centers	3	3	3	3	3
Water					
Water mains (miles)				409	
Fire hydrants	7,578	7,933	8,365	8,518	9,040
Maximum daily capacity (thousands of gallons)					
Sewers					
Sanitary sewers (miles)	825	857	889	921	962
Storm sewers (miles)	150	159	173	189	204
Maximum daily treatment capacity (millions of gallons)	35 MGD	35 MGD	35 MGD	41 MGD	41 MGD

Source: City Finance Department

CITY OF BAKERSFIELD

**Schedule of Insurance in Force
June 30, 2006**

Type of Coverage

Liability:**Limits**

Excess Workers' Compensation \$ 145,000,000 Limit with a \$500,000 self-insured retention.
Excess Liability 35,000,000 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 200,000,000 Coverage on buildings and contents subject to \$25,000 deductible with various sublimits.

Auto-Physical Damage Coverage for Fire vehicles, subject to a \$25,000 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 (California Care & Kaiser - HMO) (\$50 deductible for Blue Cross).

Insurance Company	Policy Number	Expiration Date	Annual Premium
CSAC- EIA	EWC7-1-06	07/01/07	\$ 290,902
Insurance Company of the State of Pennsylvania	ACC0506BAK71	07/01/07	482,164
Hartford Fire Insurance Company	57BPBU9384	07/01/07	13,993
Ace Property and Casualty Insurance Company.	AAPN00984504	07/19/07	5,705
X. L. Specialty	NAC3034914	07/01/07	13,000
Affiliated FM	TF985	07/01/07	115,957
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.

CITY OF BAKERSFIELD

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

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

