

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2015A Bonds is exempt from present State of California personal income taxes. For a more complete description, see "TAX MATTERS."

\$145,500,000
CITY OF BAKERSFIELD, CALIFORNIA
WASTEWATER REVENUE REFUNDING BONDS
SERIES 2015A

Dated: Date of Delivery

Due: September 15, as shown on the inside cover

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

The City of Bakersfield, California, Wastewater Revenue Refunding Bonds, Series 2015A (the "Series 2015A Bonds"), are being issued by the City of Bakersfield, California (the "City"), in the aggregate principal amount of \$145,500,000, pursuant to (i) the charter of the City, (ii) the City of Bakersfield Enterprise Revenue Bond Law, being Chapter 3.55 of the City's Municipal Code (the "Bond Law"), which incorporates, to the extent made applicable by the Bond Law, the Revenue Bond Law of 1941, being Chapter 6 of Division 2 of Title 5 of the California Government Code, as amended, (iii) certain provisions of the laws of the State of California (the "State") (including Section 53580 et seq. of the California Government Code (the "Refunding Law"), (iv) a resolution adopted by the City Council of the City on June 24, 2015 (the "Resolution"), and (v) a Master Trust Indenture, dated as of August 1, 2007 (the "Master Indenture"), by and between the City and U.S. Bank National Association, a national banking association, as trustee (the "Trustee"), as supplemented by a Fourth Supplemental Trust Indenture, dated as of August 1, 2015 (the "Fourth Supplemental Indenture," and collectively with the Master Indenture, the "Indenture"), by and between the City and the Trustee. See "THE SERIES 2015A BONDS." Capitalized terms used on this cover page and not otherwise defined have the meanings ascribed to them elsewhere in this Official Statement. See in particular "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Selected Definitions."

The proceeds from the sale of the Series 2015A Bonds will be used to (i) redeem a portion of the City's outstanding Wastewater Revenue Bonds, Series 2007A (the "Series 2007A Bonds"), the proceeds of which were used to finance a portion of the cost of certain capital improvements to the City's wastewater and sewage collection, treatment, and disposal system (the "Enterprise"), and (ii) pay costs of issuance of the Series 2015A Bonds, as more fully described herein. See "THE REFUNDING PLAN," "ESTIMATED SOURCES AND USES OF FUNDS," "THE SERIES 2015A BONDS," and "THE ENTERPRISE."

The Series 2015A Bonds will be delivered as fully registered bonds without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2015A Bonds. Individual purchases of Series 2015A Bonds may be made in book-entry form only in the principal amount of \$5,000 or integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Series 2015A Bonds purchased. See "APPENDIX E – Book-Entry System."

The Series 2015A Bonds are special, limited obligations of the City, payable solely from and secured by (i) a pledge of certain Net Revenues (as defined herein) derived from the Enterprise and (ii) certain limited funds and accounts held by the Trustee under the Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS – Pledge of Net Revenues." The pledge of Net Revenues that secures the payment of principal and interest with respect to the Series 2015A Bonds is on a parity with a pledge of such Net Revenues to pay certain other outstanding obligations of the City, including the Series 2007A Bonds not refunded by the Series 2015A Bonds, the Series 2012A Bonds, and the State Loan, as such terms are defined herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS – Pledge of Net Revenues," "– Series 2007A Unrefunded Bonds," "– Series 2012A Bonds," and "– State Loan." Additionally, future parity obligations may be issued by the City as described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS – Issuance of Additional Bonds."

Payments of interest on the Series 2015A Bonds will be made by the Trustee to DTC, which will in turn remit such interest to its participants for subsequent disbursement to beneficial owners of the Series 2015A Bonds as described herein. Interest on the Series 2015A Bonds is payable semiannually on each March 15 and September 15, commencing March 15, 2016, until the maturity or the earlier redemption thereof. Principal and any redemption premiums with respect to each Series 2015A Bond will be paid upon surrender of such Series 2015A Bond at the principal corporate office of the Trustee upon maturity or the earlier redemption thereof. See "THE SERIES 2015A BONDS – Payment of the Series 2015A Bonds."

The Series 2015A Bonds are subject to optional redemption prior to their stated maturities, as described herein. See "THE SERIES 2015A BONDS – Redemption of Series 2015A Bonds."

THE SERIES 2015A BONDS REPRESENT A SPECIAL, LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF NET REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. NONE OF THE PROPERTIES OF THE ENTERPRISE ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2015A BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, KERN COUNTY (THE "COUNTY"), THE STATE, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2015A BONDS. THE ISSUANCE OF THE SERIES 2015A BONDS DOES NOT DIRECTLY OR INDIRECTLY OBLIGATE THE CITY, THE COUNTY, THE STATE, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE SERIES 2015A BONDS.

SEE MATURITY SCHEDULE ON INSIDE COVER

The Series 2015A Bonds are offered when, as, and if delivered to and received by the Underwriters, subject to the approval of legality by Kutak Rock LLP, Denver, Colorado, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney and by Disclosure Counsel, Goodwin Procter LLP, Los Angeles, California, and for the Underwriters by Stradling Yocca Carlson & Rauth, Sacramento, California. It is anticipated that the Series 2015A Bonds in book-entry form will be available for delivery through the facilities of DTC on or about August 13, 2015.

MATURITY SCHEDULE

<u>Maturity (September 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP⁽¹⁾ No.</u>
2018 ⁽²⁾	\$ 5,525,000	5.000%	1.000%	112.135	05753P BV3
2019 ⁽²⁾	5,955,000	5.000	1.230	114.987	05753P BW1
2020 ⁽²⁾	7,245,000	5.000	1.470	117.246	05753P BX9
2021 ⁽²⁾	7,670,000	5.000	1.760	118.628	05753P BY7
2022 ⁽²⁾	7,995,000	5.000	2.010	119.661	05753P BZ4
2023 ⁽²⁾	8,450,000	5.000	2.200	120.642	05753P CA8
2024 ⁽²⁾	8,920,000	5.000	2.360	121.480	05753P CB6
2025 ⁽²⁾	9,365,000	5.000	2.490	122.268	05753P CC4
2026 ⁽²⁾	9,885,000	5.000	2.640	120.780 ⁽⁴⁾	05753P CD2
2027 ⁽²⁾	10,405,000	5.000	2.780	119.411 ⁽⁴⁾	05753P CE0
2028 ⁽²⁾	11,030,000	5.000	2.880	118.444 ⁽⁴⁾	05753P CF7
2029 ⁽²⁾	11,595,000	5.000	2.950	117.773 ⁽⁴⁾	05753P CG5
2030 ⁽²⁾	12,195,000	5.000	3.020	117.106 ⁽⁴⁾	05753P CH3
2031 ⁽²⁾	4,265,000	5.000	3.080	116.538 ⁽⁴⁾	05753P CJ9
2031 ⁽³⁾	8,550,000	5.000	2.430	112.230 ⁽⁵⁾	05753P CM2
2032 ⁽³⁾	13,700,000	5.000	2.480	111.975 ⁽⁵⁾	05753P CK6
2033 ⁽³⁾	2,750,000	5.000	2.520	111.773 ⁽⁵⁾	05753P CL4

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- (2) Bonds subject to optional redemption on September 15, 2025, without premium; see "THE SERIES 2015A BONDS – Redemption of Series 2015A Bonds."
- (3) Bond subject to optional redemption on September 1, 2020, without premium; see "THE SERIES 2015A BONDS – Redemption of Series 2015A Bonds."
- (4) Priced to first optional redemption date of September 1, 2025; callable at par.
- (5) Priced to first optional redemption date of September 1, 2020; callable at par.

No dealer, broker, salesperson, or other person has been authorized by the City or the Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2015A Bonds, nor shall there be any sale of the Series 2015A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

This Official Statement is not to be construed to be a contract with the purchasers of the Series 2015A Bonds. Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly described as such herein, are intended solely as such and are not to be construed as representations of fact.

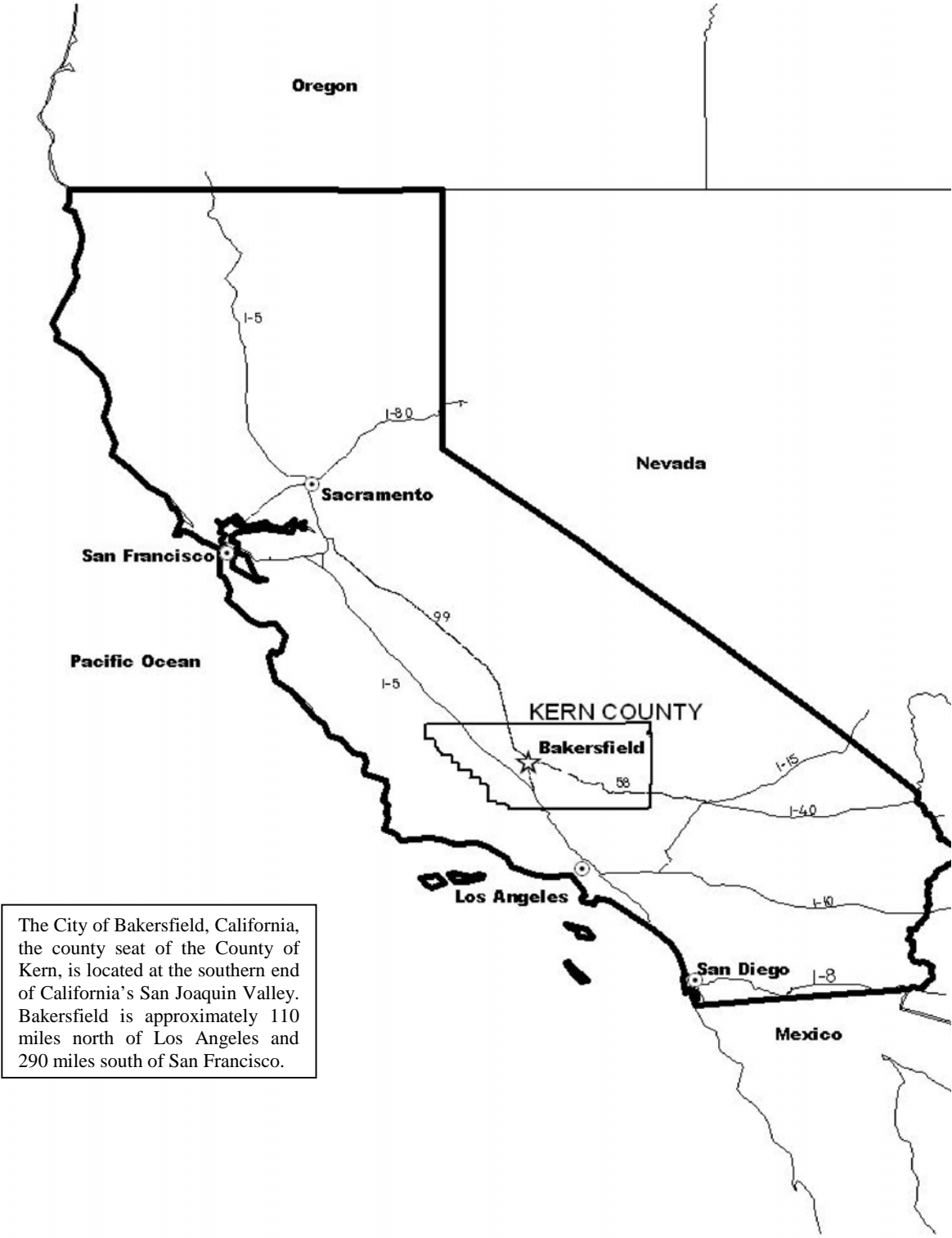
The information set forth herein has been obtained from the City and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and it is not to be construed as a representation by the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

This Official Statement is submitted in connection with the sale of the Series 2015A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2015 Bonds to certain dealers (including dealers depositing Series 2015 Bonds into investment trusts), dealer banks, banks acting as agents, and others at prices lower than said public offering prices.

THE SERIES 2015A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2015A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.



The City of Bakersfield, California, the county seat of the County of Kern, is located at the southern end of California's San Joaquin Valley. Bakersfield is approximately 110 miles north of Los Angeles and 290 miles south of San Francisco.

CITY OF BAKERSFIELD

Mayor and City Council

Harvey L. Hall, Mayor
Willie Rivera, Councilmember First Ward
Terry Maxwell, Councilmember Second Ward
Ken Weir, Councilmember Third Ward
Bob Smith, Councilmember Fourth Ward
Harold Hanson, Vice Mayor, Councilmember Fifth Ward
Jacquie Sullivan, Councilmember Sixth Ward
Chris Parlier, Councilmember Seventh Ward

City Staff

Alan Tandy, City Manager
Virginia Gennaro, City Attorney
Roberta Gafford, City Clerk
Nelson K. Smith, Finance Director
Nick Fidler, Public Works Director
Ted Wright, Assistant Public Works Director
Zachary Meyer, Acting Wastewater Manager

BOND COUNSEL

Kutak Rock LLP
Denver, Colorado

DISCLOSURE COUNSEL

Goodwin Procter LLP
Los Angeles, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

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OFFICIAL STATEMENT

\$145,500,000
CITY OF BAKERSFIELD, CALIFORNIA
WASTEWATER REVENUE REFUNDING BONDS
SERIES 2015A

INTRODUCTION

THIS INTRODUCTION IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION IN THIS OFFICIAL STATEMENT, INCLUDING THE COVER PAGE, THE INSIDE COVER PAGE, AND APPENDICES HERETO, AND THE OFFERING OF THE SERIES 2015A BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

General

This Official Statement, which includes the cover page, inside cover page, Table of Contents, and Appendices (this “Official Statement”), provides certain information concerning the issuance, sale, and delivery by the City of Bakersfield, California (the “City”), of \$145,500,000 in aggregate principal amount of its City of Bakersfield, California, Wastewater Revenue Refunding Bonds, Series 2015A (the “Series 2015A Bonds”). Descriptions and summaries of various documents contained in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions therein. All statements in this Official Statement are qualified in their entirety by reference to the applicable documents. Capitalized terms used in this Official Statement and not otherwise defined have the meanings ascribed to them in “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Selected Definitions.”

The City

The City is located at the southern end of the San Joaquin Valley in Kern County, California (the “County”), approximately 110 miles north of the City of Los Angeles and approximately 290 miles south of the City and County of San Francisco. The City covers over 150 square miles of land and an additional 162 square miles of land area is located within the City’s sphere of influence. For more information regarding the City, see “THE CITY” and “APPENDIX B – City of Bakersfield Economic, Financial, and Demographic Information.”

Authority for Issuance

The Series 2015A Bonds are being issued by the City pursuant to (i) the charter of the City, (ii) the City of Bakersfield Enterprise Revenue Bond Law, being Chapter 3.55 of the City’s Municipal Code (the “Bond Law”), which incorporates, to the extent made applicable by the Bond Law, the Revenue Bond Law of 1941, being Chapter 6 of Division 2 of Title 5 of the California Government Code, as amended, (iii) certain provisions of the laws of the State of California (the “State”) (including Section 53580 *et seq.* of the California Government Code (the “Refunding Law”), (iv) Resolution No. 078-15 adopted by the City Council of the City (the “City Council”) on June 24, 2015 (the “Resolution”), and (v) a Master Trust Indenture, dated as of August 1, 2007 (the “Master Indenture”), by and between the City and U.S. Bank National Association, a national banking association, as trustee (the “Trustee”), as supplemented by a Fourth Supplemental Trust Indenture, dated as of August 1, 2015 (the “Fourth Supplemental Indenture,” and collectively with the Master Indenture, the “Indenture”), by and between the City and the Trustee.

Purpose of Issuance

The proceeds from the sale of the Series 2015A Bonds will be used to (i) redeem a portion of the City's outstanding Wastewater Revenue Bonds, Series 2007A (the "Series 2007A Refunded Bonds"), originally issued in the aggregate principal amount of \$190,695,000, and outstanding, as of the date of this Official Statement, in the aggregate principal amount of \$156,750,000, and (ii) pay costs of issuance of the Series 2015A Bonds. The proceeds of the Series 2007A Refunded Bonds were used to finance a portion of the cost of certain capital improvements to the City's wastewater and sewage collection, treatment, and disposal system (the "Enterprise"), as more fully described herein. See "THE REFUNDING PLAN," "ESTIMATED SOURCES AND USES OF FUNDS," "THE SERIES 2015A BONDS," and "THE ENTERPRISE."

General Terms of Series 2015A Bonds

The Series 2015A Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2015A Bonds. Ownership interests in the Series 2015A Bonds may be purchased in denominations of \$5,000 and integral multiples thereof ("Authorized Denominations") in book-entry form only. So long as Cede & Co. is the registered owner of the Series 2015A Bonds, principal of and interest on the Series 2015A Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC. Upon receipt of payments of principal and interest with respect to the Series 2015A Bonds, DTC will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Series 2015A Bonds. See "THE SERIES 2015A BONDS – Delivery in Book-Entry Form" and "APPENDIX E – Book-Entry System."

The Series 2015A Bonds will be dated the date of their initial delivery and will mature on September 15 on the respective dates and in the respective amounts, and the interest payable thereon will be computed at the respective rates, all as set forth on the inside cover page of this Official Statement. Interest on the Series 2015A Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months and is payable semiannually on each March 15 and September 15, commencing March 15, 2016 (each, an "Interest Payment Date"), until the maturity or the earlier redemption thereof. Interest on the Series 2015A Bonds (other than the Series 2015A Bonds held by DTC or its nominee) will be paid by check or draft, mailed by first class mail to the registered owners thereof (each, an "Owner") as of the Record Date preceding the applicable Interest Payment Date. "Record Date" means for a March 15 Interest Payment Date the preceding March 1 and for a September 15 Interest Payment Date the preceding September 1. Principal of and any redemption premium with respect to each Series 2015A Bond will be payable upon surrender of such Series 2015A Bond at the principal corporate trust office of the Trustee in Los Angeles, California (the "Corporate Trust Office"), upon the maturity or earlier redemption thereof; provided that with respect to Series 2015A Bonds that are held by DTC or its nominee, the Trustee will make other arrangements for the payment of such principal as provided in the Indenture. See "THE SERIES 2015A BONDS – Payment of Series 2015A Bonds."

Redemption of Series 2015A Bonds

Optional Redemption of Series 2015A Bonds. At the option of the City, the Series 2015A Bonds maturing on or after September 15, 2026 (other than the Series 2015A Bonds maturing on September 15, 2031, in the principal amount of \$8,550,000, and the Series 2015A Bonds maturing on September 15, 2032, and September 15, 2033), may be called for redemption and payment prior to maturity on or after September 15, 2025, in whole or in part, at any time, from any moneys that may be

provided for such purpose at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

At the option of the City, the Series 2015A Bonds maturing on September 15, 2031, in the principal amount of \$8,550,000, and the Series 2015A Bonds maturing on September 15, 2032, and September 15, 2033, may be called for redemption and payment prior to maturity on or after September 15, 2020, in whole or in part, at any time, from any moneys that may be provided for such purpose at a redemption price equal to 100% of the principal amount thereof, plus interest thereon to the redemption date. See “THE SERIES 2015A BONDS – Redemption of Series 2015A Bonds – Optional Redemption of Series 2015A Bonds.”

Security for the Series 2015A Bonds

Pledge of Net Revenues. The Series 2015A Bonds are special, limited obligations of the City and are payable solely from Net Revenues generated by the Enterprise and received by the Trustee pursuant to the Indenture and from certain funds and accounts held under the Indenture. The term “Net Revenues,” for any fiscal year of the City (each, a “Fiscal Year”), means Revenues (as defined herein) for such Fiscal Year, less the Operation and Maintenance Costs (as defined herein) for such Fiscal Year. Pursuant to the Indenture, the City has pledged and assigned to the Trustee and granted the Trustee a lien on and security interest in the Net Revenues and certain funds and accounts held by the Trustee. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS – Pledge of Net Revenues.”

Rate Covenant. Pursuant to the Indenture, the City covenants in the Master Indenture to fix, prescribe, revise, and collect rates, fees, and charges for services and facilities furnished by the Enterprise during each Fiscal Year (subject to City Council approval with respect to rates) that are at least sufficient to pay, among other things, all payments of principal and interest with respect to certain specified obligations, including the Series 2015A Bonds, the Series 2007A Unrefunded Bonds (as defined herein), the Series 2012A Bonds (as defined herein), and the State Loan (as defined herein), payable from and secured by Net Revenues. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS – Rate Covenant.”

Additional Bonds; Series 2007A Unrefunded Bonds; Series 2012A Bonds. Pursuant to the Indenture, the City may issue additional bonds that are payable and secured by Net Revenues on a parity with the Series 2015A Bonds. The City previously issued its City of Bakersfield, California, Wastewater Revenue Refunding Bonds, Series 2012A, in the aggregate principal amount of \$25,000,000 (the “Series 2012A Bonds”), which are payable and secured by Net Revenues on a parity with the Series 2015A Bonds. As of date of this Official Statement, \$10,000,000 in principal amount of Series 2012A Bonds are outstanding. In addition, a portion of the City’s Wastewater Revenue Bonds, Series 2007A, in the aggregate principal amount of \$17,505,000 (the “Series 2007A Unrefunded Bonds”) are not being refunded with proceeds of the Series 2015A Bonds and will remain outstanding upon the issuance of the Series 2015A Bonds. The Series 2007A Unrefunded Bonds, the Series 2012A Bonds, Series 2015A Bonds, and any additional bonds issued pursuant to the Indenture that are payable and secured by Net Revenues on a parity therewith, are collectively referred to herein as the “Bonds.” See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS – Issuance of Additional Bonds,” –Series 2007A Unrefunded Bonds,” and “– Series 2012A Bonds.”

State Loan. The Series 2015A Bonds, when issued, the Series 2007A Unrefunded Bonds, and the Series 2012A Bonds are on a parity with the amount currently outstanding under the loan made by the State, acting through the State Water Resources Control Board, to the City in September 1997 in connection with the State Revolving Fund Loan Program (the “State Loan”). The State Loan was originally made to the City in the aggregate amount of \$14,954,054. The terms of the State Loan require

that the loan proceeds be used to finance not more than 83.33% of certain State-approved capital improvements and that the City pay for the remaining 16.67% of such costs as imputed interest. The State Loan is payable from Net Revenues over a 20-year term in equal annual installments of \$902,555, with the final installment due in Fiscal Year 2020-21. As of the date of this Official Statement, the remaining amount of the State Loan payable by the City, including all principal and imputed interest, is \$5,415,330. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS – State Loan.”

No Reserve Fund for Series 2015A Bonds. The Master Indenture provides that the City may establish a debt service reserve fund for a given series of Bonds. While the City has previously elected to establish such a debt service reserve fund for the Series 2007A Bonds, no such debt service reserve fund was established for the Series 2012A Bonds and no such reserve fund will be established for the Series 2015A Bonds.

Continuing Disclosure

In connection with the issuance of the Series 2015A Bonds, the City will covenant in a continuing disclosure certificate (the “Continuing Disclosure Certificate”), executed for the benefit of Owners of the Series 2015A Bonds, to provide certain financial information and operating data relating to the Enterprise and the City and notices of certain events as specified therein. See “CONTINUING DISCLOSURE” and “APPENDIX F – Form of Continuing Disclosure Certificate.”

No Acceleration of Series 2015A Bonds

In no event, upon the occurrence or continuation of an event of default under the Indenture, shall the Owners of the Series 2015A Bonds, the Trustee, or any other party have the right to accelerate the payment of principal of or interest on the outstanding Series 2015A Bonds.

Limited Obligations

The Series 2015A Bonds represent a special, limited obligation of the City payable solely from and secured by a pledge of Net Revenues derived by the City from the operations of the Enterprise and certain funds and accounts held under the Indenture. None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the Owners of the Series 2015A Bonds, and neither the full faith and credit nor the taxing power of the City, the County, the State, or any other political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Series 2015A Bonds. The issuance of the Series 2015A Bonds does not directly or indirectly obligate the City, the County, the State, or any other political subdivision or agency of the State to levy or pledge any form of taxation whatsoever or to make any appropriation for payment of the Series 2015A Bonds. For certain financial information with respect to the City and the Enterprise, see “THE CITY” and “THE ENTERPRISE”

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “intend,” “expect,” “propose,” “estimate,” “project,” “budget,” “anticipate,” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-

looking statements. No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. **READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.**

References Qualified

The summaries of and references to all documents, statutes, reports, and other instruments referred to in this Official Statement do not purport to be complete, comprehensive, or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

Additional Information

Additional information regarding this Official Statement, as well as copies of the Indenture and other documents described herein, may be obtained from the City. The City's address for such purpose is: City of Bakersfield, 1600 Truxtun Avenue, Bakersfield, California 93301, Attention: Finance Director. The Finance Director's telephone number is (661) 326-3740.

The City maintains a website. However, none of the information on the City's website is incorporated by reference in this Official Statement, and such information should not be relied upon in making investment decisions with respect to the Series 2015A Bonds.

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THE REFUNDING PLAN

A portion of the proceeds from the sale of the Series 2015A Bonds will be used to redeem the outstanding Series 2007A Refunded Bonds, as more particularly described in the following table:

Series 2007A Refunded Bonds

Maturity Date	Principal Redeemed	Redemption Price	Redemption Date	CUSIP Number ⁽¹⁾
September 15, 2018	\$6,025,000	100.00%	September 15, 2017	05753P AK8
September 15, 2019	6,480,000	100.00	September 15, 2017	05753P AL6
September 15, 2020	4,100,000	100.00	September 15, 2017	05753P AM4
September 15, 2020	3,695,000	100.00	September 15, 2017	05753P BF8
September 15, 2021	8,240,000	100.00	September 15, 2017	05753P AN2
September 15, 2022	8,595,000	100.00	September 15, 2017	05753P AP7
September 15, 2023	9,080,000	100.00	September 15, 2017	05753P AQ5
September 15, 2024	9,585,000	100.00	September 15, 2017	05753P AR3
September 15, 2025	10,065,000	100.00	September 15, 2017	05753P AS1
September 15, 2026	10,620,000	100.00	September 15, 2017	05753P AT9
September 15, 2027	11,175,000	100.00	September 15, 2017	05753P AU6
September 15, 2028	11,840,000	100.00	September 15, 2017	05753P AV4
September 15, 2032	53,765,000	100.00	September 15, 2017	05753P BG6
September 15, 2033	<u>3,485,000</u>	100.00	September 15, 2017	05753P AW2
Total	\$156,750,000			

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The Series 2007A Refunded Bonds were issued pursuant to, and will be refunded in accordance with, the terms of the Master Indenture and a First Supplemental Trust Indenture, dated as of August 1, 2007, by and between the City and U.S. Bank National Association, a national banking association, as trustee (the "2007 Trustee"). On the date of issuance of the Series 2015A Bonds, a portion of the proceeds from the sale of the Series 2015A Bonds, together with certain other available moneys then on deposit in the funds and accounts established under the First Supplemental Indenture and held by the 2007 Trustee (collectively, the "Escrow Proceeds"), will be delivered to the 2007 Trustee, acting as escrow agent (the "Escrow Agent") under that certain Escrow Agreement, dated August 13, 2015 (the "Escrow Agreement"), by and between the City and the Escrow Agent. The Escrow Agent will deposit the Escrow Proceeds in accordance with the Escrow Agreement in an irrevocable escrow fund (the "Escrow Fund") for the benefit of the owners of the Series 2007A Refunded Bonds, to be invested in direct, noncallable, general obligations of the United States of America and certain obligations issued or guaranteed by certain United States government agencies ("Refunding Securities"), plus an amount held in cash, if any. The Refunding Securities, together with earnings thereon, will be used to redeem the outstanding Series 2007A Refunded Bonds on September 15, 2017 (the "Redemption Date"), at the redemption price of 100% of the principal amount of the Series 2007A Refunded Bonds, together with interest accrued thereon to the redemption date.

Grant Thornton LLP (the "Verification Agent") will verify that the Refunding Securities, together with the earnings thereon and any uninvested cash held by the Escrow Agent in the Escrow Fund, will be sufficient to pay all of the principal, interest, and redemption premium, if any, coming due with respect to the Series 2007A Refunded Bonds on the Redemption Date. See "VERIFICATION."

The Series 2007A Unrefunded Bonds, which will remain outstanding following the issuance of the Series 2015A Bonds, are described in the table below.

Series 2007A Unrefunded Bonds

<u>Maturity Date</u>	<u>Principal Outstanding</u>	<u>Interest Rate</u>	<u>CUSIP Number</u> ⁽¹⁾
September 15, 2015	\$ 1,925,000	4.250%	05753P AG7
September 15, 2015	3,550,000	5.000	05753P BC5
September 15, 2016	550,000	4.250	05753P AH5
September 15, 2016	5,505,000	5.000	05753P BD3
September 15, 2017	2,650,000	4.250	05753P AJ1
September 15, 2017	<u>3,325,000</u>	5.000	05753P BE1
Total	\$17,505,000		

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ESTIMATED SOURCES AND USES OF FUNDS

The following table details the estimated sources and uses of the proceeds from the sale of the Series 2015A Bonds:

SOURCES:

Principal Amount of the Series 2015A Bonds	\$145,500,000.00
Plus: Original Issue Premium	25,529,125.05
Amounts Held under First Supplemental Indenture	<u>3,217,869.44</u>
Total:	\$174,246,994.49

USES:

Underwriters' Discount	\$ 172,468.45
Deposit to Series 2015A Costs of Issuance Fund ⁽¹⁾	368,086.27
Deposit to Escrow Fund ⁽²⁾	<u>173,706,439.77</u>
Total:	\$174,246,994.49

(1) Moneys in the Series 2015A Costs of Issuance Fund will be used to pay the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Trustee, the Escrow Agent, and the Verification Agent, as well as rating fees, printing fees, and other miscellaneous costs related to the issuance of the Series 2015A Bonds. The Series 2015A Costs of Issuance Fund will be held and administered by the City.

(2) Moneys in the Escrow Fund established for the Series 2007A Refunded Bonds, which Escrow Fund will be funded with Series 2015A Bond proceeds, together with certain other available moneys then on deposit in the funds and accounts established under the First Supplemental Indenture and held by the 2007 Trustee, will be used to call and redeem all of the outstanding Series 2007A Refunded Bonds on September 15, 2017. The Escrow Fund will be held and administered by the Escrow Agent. See "THE REFUNDING PLAN."

THE SERIES 2015A BONDS

Authority for Issuance

The Series 2015A Bonds are being issued by the City pursuant to (i) the Charter of the City, (ii) the Bond Law, (iii) the Refunding Law, (iv) the Resolution, and (v) the Indenture.

Delivery in Book-Entry Form

The Series 2015A Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2015A Bonds. Ownership interests in the Series 2015A Bonds may be purchased in Authorized Denominations, in book-entry form only. So long as Cede & Co. is the registered owner of the Series 2015A Bonds, principal of and interest on the Series 2015A Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC. Upon receipt of payments of principal and interest with respect to the Series 2015A Bonds, DTC will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Series 2015A Bonds. See “APPENDIX E – Book-Entry System.”

Payment of the Series 2015A Bonds

The Series 2015A Bonds will be dated the date of their initial delivery and will mature on September 15 on the respective dates and in the respective amounts, and the interest payable thereon will be computed at the respective rates, all as set forth on the inside cover page of this Official Statement. Interest on the Series 2015A Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months and is payable semiannually on each Interest Payment Date until the maturity or the earlier redemption thereof. Interest on the Series 2015A Bonds (other than the Series 2015A Bonds held by DTC or its nominee) will be paid by check or draft, mailed by first class mail to the Owners as of the close of business on the Record Date preceding the applicable Interest Payment Date. Principal of and any redemption premium with respect to each Series 2015A Bond will be payable upon surrender of such Series 2015A Bond at the Corporate Trust Office of the Trustee in Los Angeles, California, upon the maturity or earlier redemption thereof; provided that with respect to Series 2015A Bonds that are held by DTC or its nominee, the Trustee will make other arrangements for the payment of such principal as provided in the Indenture.

Redemption of Series 2015A Bonds

Optional Redemption of Series 2015A Bonds. The Series 2015A Bonds maturing on or before September 15, 2025, are not subject to optional redemption prior to their respective stated maturities. At the option of the City, the Series 2015A Bonds maturing on or after September 15, 2026 (other than the Series 2015A Bonds maturing on September 15, 2031, in the principal amount of \$8,550,000, and the Series 2015A Bonds maturing on September 15, 2032, and September 15, 2033), may be called for redemption and payment prior to maturity on or after September 15, 2025, in whole or in part, at any time, from any moneys that may be provided for such purpose at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

At the option of the City, the Series 2015A Bonds maturing on September 15, 2031, in the principal amount of \$8,550,000, and the Series 2015A Bonds maturing on September 15, 2032, and September 15, 2033, may be called for redemption and payment prior to maturity on or after September 15, 2020, in whole or in part, at any time, from any moneys that may be provided for such purpose at a redemption price equal to 100% of the principal amount thereof, plus interest thereon to the redemption date.

Selection for Redemption. Series 2015A Bonds are subject to redemption in such order of maturity as the City shall direct and by lot, selected in such manner as the Trustee shall deem appropriate within a maturity. Upon surrender of a Series 2015A Bond to be redeemed in part only, the Trustee will authenticate for the holder a new Series 2015A Bond or Series 2015A Bonds of the same maturity and series equal in principal amount of the unredeemed portion of the Series 2015A Bond surrendered.

Notice of Redemption. If the City wishes that any Series 2015A Bonds be redeemed pursuant to any optional redemption provisions described above, the City will notify the Trustee of the applicable provision, the Series 2015A Bonds being redeemed, the redemption date, the maturity date, the interest rate, the CUSIP number, and the principal amount of the Series 2015A Bonds to be redeemed, and other necessary particulars. The City will give notice to the Trustee at least 35 days before the redemption date, provided that the Trustee may, at its option, waive such notice or accept notice at a later date. The Trustee shall give notice of redemption, in the name of the City, to Bondholders affected by redemption at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Series 2015A Bonds held by DTC by an express delivery service for delivery on the next following Business Day) to each owner of a Series 2015A Bond to be redeemed; each such notice shall be sent to the owner's registered address.

The City may provide that, if at the time of mailing of notice of an optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2015A Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business three Business Days prior to the scheduled redemption date, and such notice shall be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption shall be canceled and on such cancellation date notice shall be mailed to the holders of such Series 2015A Bonds, to be redeemed in the manner provided in the Indenture.

Effect of Redemption. From and after the date fixed for redemption, if notice shall have been given in the manner and under the conditions provided in the Indenture (as described above) and if moneys for the payment of the applicable redemption price shall have been duly provided, the Series 2015A Bonds called for redemption will become and be due and payable on the redemption date, interest on such Series 2015A Bonds will cease to accrue from and after such redemption date, such Series 2015A Bonds will cease to be entitled to any lien, benefit, or security under the Indenture, and Owners of such Series 2015A Bonds will have no rights with respect thereto, except the right to receive payment of the redemption price.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS

Limited Obligations

THE SERIES 2015A BONDS REPRESENT A SPECIAL, LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE NET REVENUES DERIVED BY THE CITY FROM THE OPERATIONS OF THE ENTERPRISE AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. NONE OF THE PROPERTIES OF THE ENTERPRISE ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2015A BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015A BONDS. THE ISSUANCE OF THE SERIES 2015A BONDS DOES NOT DIRECTLY OR INDIRECTLY OBLIGATE

THE CITY, THE COUNTY, THE STATE, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE SERIES 2015A BONDS.

Pledge of Net Revenues

The Series 2015A Bonds are secured by and payable from Net Revenues. Net Revenues for any Fiscal Year are derived from the Revenues for such Fiscal Year, less the Operation and Maintenance Costs for such Fiscal Year.

The term “Revenues” is defined in the Master Indenture as all charges received for, and all other income and receipts directly or indirectly derived by the City from the operation and use of the Enterprise, or arising from the Enterprise, or any part of the Enterprise, and includes, without limitation, all revenues received by the City, or any municipal corporation or agency succeeding to the rights of the City, from the Enterprise, and from the sale and use of wastewater, wastewater services or facilities, or any other service, commodity, or facility, or any combination thereof furnished to the inhabitants of the Service Area for the Enterprise, including (a) except as provided in (v) below, investment earnings allocated to the Wastewater Treatment Fund by the City from amounts in the Construction Fund or Debt Service Fund, the Debt Service Reserve Funds, the Rate Stabilization Fund, and from surplus Net Revenues, all in accordance with the Master Indenture, (b) all income derived from the investment of any money in the Wastewater Treatment Fund, (c) money released from the Rate Stabilization Fund, to the extent that the amount released is not considered Revenues and is used to pay Operation and Maintenance Costs or debt service requirements on Bonds or the State Loan in the year released, (d) money released from the Rebate Fund to the City and allocated by the City to the Wastewater Treatment Fund in accordance with a Supplemental Indenture, (e) property insurance proceeds which are not necessary to restore or replace the property lost or damaged and the proceeds of the sale or other disposition of any part of the Enterprise, (f) that portion of expansion charges and/or impact fees established specifically to pay debt service on debt obligations, (g) any rental income derived from the leasing of real property, (h) Connection Fees, and (i) any money released from the Rate Stabilization Fund, to the extent necessary to meet the rate covenant set forth in the Master Indenture for the then current Fiscal Year; provided, however, that Revenues do not include (i) any money received as (A) grants or gifts from the United States of America, the State, or other sources, and limited to a specific purpose inconsistent with the payment of principal of and interest on the Bonds, (B) the proceeds of any charge or tax intended as a replacement therefore or other capital contributions from any source which are restricted as to a use inconsistent with the payment of principal of and interest on the Bonds, or (C) the proceeds of any charges required by State or federal regulations to be levied and collected from users and held, distributed, or used for a specific designated or limited purpose, (ii) taxes and/or fees collected by the City and remitted to other governmental agencies, (iii) condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption, (iv) proceeds from the sale of real property owned or used by the Enterprise, (v) any arbitrage earnings that are required to be paid to the U.S. Government pursuant to Section 148 of the Code (as defined herein), (vi) any current year Revenues transferred into the Rate Stabilization Fund, or (vii) Capitalized Interest.

The term “Operation and Maintenance Costs” is defined in the Master Indenture as, for any given period, the total reasonable and necessary costs and expenses paid or incurred by the City for maintaining and operating the Enterprise, as determined in accordance with generally accepted accounting principles as in effect from time to time, including all reasonable expenses of management, repair, and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including all administrative costs of the City that are properly charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any), and insurance premiums, and including all other reasonable and necessary costs and expenses of the City or

charges required to be paid by the City to comply with the terms of the Indenture, such as compensation, reimbursement, and indemnification of the Trustee, the Credit Provider, and the Liquidity Provider, and fees and expenses of Consultants; provided, however, that Operation and Maintenance Costs do not include Annual Debt Service, depreciation, replacement, and obsolescence charges or reserves therefor, amortization of intangibles, and operation and maintenance expenses of the Enterprise payable from moneys other than Revenues.

Pursuant to the Indenture, the City has pledged and assigned to the Trustee and granted the Trustee a lien on and security interest in the Net Revenues and certain funds and accounts held by the Trustee, as described above. See “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents.”

Series 2007A Unrefunded Bonds

The Series 2007A Unrefunded Bonds, in the aggregate principal amount of \$17,505,000, are not being refunded with proceeds of the Series 2015A Bonds and will remain outstanding upon the issuance of the Series 2015A Bonds. The Series 2007A Unrefunded Bonds are payable and secured by Net Revenues on a parity with the Series 2012A Bonds and, when issued, the Series 2015A Bonds. See “– Estimated Debt Service on Outstanding Bonds and State Loan” below.

Series 2012A Bonds

Pursuant to the Master Indenture and a Third Supplemental Trust Indenture, dated as of January 1, 2012 (the “Third Supplemental Indenture”), by and between the City and the Trustee, the City has previously issued the Series 2012A Bonds in the initial principal amount of \$25,000,000, of which \$10,000,000 remains outstanding as of the date of this Official Statement. The Series 2012A Bonds are special, limited obligations of the City payable solely from and secured by (a) a pledge of Net Revenues and (b) certain limited funds and accounts held by the Trustee under the Master Indenture, as supplemented by the Third Supplemental Indenture. Proceeds from the sale of the Series 2012A Bonds were used to refund all of the City’s then-outstanding Wastewater Revenue Bonds, Series 2007B, the proceeds of which were used to finance a portion of the cost of certain capital improvements to the Enterprise. See “– Estimated Debt Service on Outstanding Bonds and State Loan” below and “THE ENTERPRISE.”

State Loan

The Federal Clean Water Act (33 United States Code, Section 1251 *et seq.*) was amended in 1937 to create the State Revolving Fund Loan Program, which provides loan funding and other types of assistance for construction of publicly-owned wastewater treatment and water reclamation facilities, development and implementation of programs to control pollution from nonpoint sources and storm water drainage, and implementation of estuary cleanup programs. The State Revolving Fund Loan Program is capitalized by a combination of State and federal funds. In order to receive federal moneys, the Federal Clean Water Act requires each state to provide a match equal to 20% of the federal capitalization grant. The California Water Code allows the State Water Resources Control Board to enter into agreements with, and to accept State matching funds from, local public agencies in return for no-interest State Revolving Fund loans.

The City has previously entered into a loan agreement with the State, dated as of September 3, 1997 (the “State Loan”), pursuant to which the State loaned the City an aggregate amount equal to \$14,954,054. The proceeds of the State Loan were used to pay for a portion of the expansion of Wastewater Treatment Plant No. 2 of the Enterprise. The terms of the State Loan require that the loan

proceeds be used to finance not more than 83.33% of certain State-approved capital improvements and that the City pay for the remaining 16.67% of such costs as imputed interest. The State Loan is payable from Net Revenues over a 20-year term in equal annual installments of \$902,555, with the final installment due in Fiscal Year 2020-21. As of the date of this Official Statement, the remaining amount of the State Loan payable by the City, including all principal and imputed interest, is \$5,415,330. The State Loan is payable from Net Revenues on a parity with the Series 2015A Bonds, the Series 2007A Unrefunded Bonds, and the Series 2012A Bonds. See “– Estimated Debt Service on Outstanding Bonds and State Loan” below.

No Reserve Fund for Series 2015A Bonds

The Master Indenture provides that the City may establish a debt service reserve fund for a given series of Bonds. While such a debt service reserve fund was previously established for the Series 2007A Refunded Bonds, no such debt service reserve fund was established for the Series 2012A Bonds and no such reserve fund will be established for the Series 2015A Bonds.

Wastewater Treatment Fund; Flow of Funds

Pursuant to the Master Indenture, so long as there are any Outstanding Bonds, all Revenues are required to be deposited in the City of Bakersfield Wastewater Treatment Fund (the “Wastewater Treatment Fund”), established and held by the City, and such Revenues must be set aside for the payment of the following amounts or deposited or transferred to the following funds and subaccounts in the order listed:

Operation and Maintenance Subaccount. A sufficient amount of Revenues, from time to time, as set forth in the budget of the City for such Fiscal Year as finally approved by the City shall be deposited in the Operation and Maintenance Subaccount. In the event that the balance in the Operation and Maintenance Subaccount at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments must immediately be deposited in the Operation and Maintenance Subaccount from the Wastewater Treatment Fund.

Debt Service Funds and Payment of State Loan. A sufficient amount of Revenues will be transferred by the City from, without priority and on an equal basis, except as to timing of payment, to the Trustee and the State in the amounts, at the times, and in the manner provided in the Master Indenture and the State Loan to provide for the payment of the principal of and interest to become due on the Outstanding Bonds and the State Loan.

Debt Service Reserve Funds. A sufficient amount of Revenues will be transferred by the City, without priority and on an equal basis, except as to timing of payment to the Debt Service Reserve Funds, if any, at the times and in such amounts as specified in a Supplemental Indenture to be used in the manner provided in the Master Indenture.

Subordinate Obligation Debt Service. A sufficient amount of Revenues will be transferred by the City from time to time as shall be necessary to make all payments and deposits required to be made on all Subordinate Obligations, but only to the extent (except as otherwise provided in the Master Indenture) a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness.

Subordinate Obligation Debt Service Reserve Funds. Upon any deficiency in any debt service reserve fund established by or for the benefit of the City in connection with any Subordinate Obligations, the City will deposit in such debt service reserve fund at such times and

in such amounts as are sufficient to replenish withdrawals from such debt service reserve fund; and the full amount of any deficiency in such debt service reserve fund due to any required valuations of the investments in such debt service reserve fund until the balance in such debt service reserve fund is at least equal to the debt service reserve requirement with respect to such Subordinate Obligations, but only to the extent a specific pledge of Net Revenues has been made in writing to the payment of any such debt service reserve requirement on such indebtedness.

Wastewater Capital Reserve Fund. A sufficient amount of Revenues will be deposited, from time to time, to the Wastewater Capital Reserve Fund, such that the balance in the Wastewater Capital Reserve Fund equals the Wastewater Capital Reserve Fund Requirement.

Rate Stabilization Fund. At the option of the City, Net Revenues may be transferred to the Rate Stabilization Fund to be used for the purposes stated in the Master Indenture.

In the event that during a Fiscal Year there is on deposit in the Wastewater Treatment Fund amounts not needed to satisfy the funding requirements described above, the City may withdraw such amounts as its sole purpose to be used for any lawful purpose of the Enterprise.

Series 2015A Debt Service Fund

Pursuant to the Fourth Supplemental Indenture, the Trustee is required to make deposits into the Series 2015A Debt Service Fund as follows:

Interest Account. The Trustee will deposit into the Interest Account established within the Series 2015A Debt Service Fund (the “Interest Account”) (i) those amounts received from the City pursuant to the Indenture to be used to pay interest on the Series 2015A Bonds and, if the City enters into an interest rate swap agreement with respect to all or a portion of the Series 2015A Bonds, to pay amounts due and payable to the provider of such agreement at such times as are provided in such interest rate swap agreement, and (ii) if the City enters into an interest rate swap agreement with respect to all or a portion of the Series 2015A Bonds, any amounts received by the City from the provider of such agreement. The Trustee will also deposit into the Interest Account any other amounts deposited with the Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. All amounts held at any time in the Interest Account will be held on a priority basis for the ratable security and payment of interest due on the Series 2015A Bonds in accordance with their terms and amounts due and payable by the City under any interest rate swap agreement entered into by the City with respect to all or a portion of the Series 2015A Bonds (other than any swap termination payments and any other amounts payable thereunder which are payable and secured by a lien on Net Revenues ranking junior and subordinate to the lien of the Bonds) at any time in proportion to the amounts due or accrued with respect to each of them. Earnings on the Interest Account will be retained in such account.

Principal Account. The Trustee will deposit into the Principal Account established within the Series 2015A Debt Service Fund (the “Principal Account”) amounts received from the City pursuant to the Indenture to be used to pay principal of the Series 2015A Bonds at maturity. The Trustee will also deposit into the Principal Account any other amounts deposited with the Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. On or about July 15 of each Fiscal Year, earnings on the Principal Account will be withdrawn by the Trustee and paid to the City for deposit into the Wastewater Treatment Fund unless an Event of Default exists under (and as defined in) the Master Indenture, in which event the earnings will be retained in the Principal Account.

Redemption Account. The Trustee will deposit into the Redemption Account established within the Series 2015A Debt Service Fund (the “Redemption Account”) amounts received from the City or

from other sources to be used to pay the principal of, and interest and premium, if any, on Series 2015A Bonds that are to be redeemed in advance of their maturity. Earnings on amounts from time to time deposited into the Redemption Account will be retained in such account or paid to the City for deposit into the Wastewater Treatment Fund in accordance with instructions given to the Trustee by the City at the time of such deposit. See “THE SERIES 2015A BONDS – Redemption of Series 2015A Bonds.”

The Series 2015A Debt Service Fund will be invested and reinvested as directed by the City in Permitted Investments. See “APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents – Selected Definitions – Permitted Investments.”

Issuance of Additional Bonds

Pursuant to the Master Indenture, the City may issue or incur additional series of Bonds (each, a “Series of Bonds”) payable from Net Revenues on a parity with the Series 2015A Bonds, the Series 2007A Unrefunded Bonds, the Series 2012A Bonds, and the State Loan; provided that, as a condition to the issuance of any such additional Series of Bonds, there shall first be delivered to the Trustee either:

(a) a certificate of the City, dated as of a date between the date of pricing of the Series of Bonds being issued and the date of delivery of such Series of Bonds (both dates inclusive), showing the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Bonds or preceding the first issuance of the proposed Series of Bonds or preceding the first issuance of the proposed Program Bonds were at least equal to 125% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Bonds, the State Loan, Unissued Program Bonds, and the proposed Series of Bonds, calculated as if the proposed Series of Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding; or

(b) a certificate of an independent consultant approved by the City (the “Consultant”), dated as of a date between the date of pricing of the Series of Bonds being issued and the date of delivery of such Series of Bonds (both dates inclusive), showing that:

(i) the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds or the establishment of a Program, were at least equal to 125% of the sum of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds and the State Loan for such applicable period;

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Bonds through and including the last Fiscal Year during any part of which interest on such Series of Bonds is expected to be paid from the proceeds thereof, the Consultant estimates that the City will be in compliance with the Master Indenture; and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Bonds during which no interest on such Series of Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Bonds, or (B) the third full Fiscal Year during which no interest on such Series of Bonds is expected to be paid from the proceeds thereof, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Bonds, the State Loan, and Unissued Program Bonds, and calculated as if the proposed Series of Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding.

For purposes of subsections (b)(ii) and (iii) above, in estimating Net Revenues, the Consultant may take into account (1) Revenues from Projects or Enterprise operations reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals, or other sources of Revenues which have been approved by the City and will be in effect during the period for which the estimates are provided, (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Costs, the Consultant shall use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Operation and Maintenance Costs, (ii) Operation and Maintenance Costs associated with any Projects and any other new Enterprise facilities, and (iii) such other factors, including inflation and changing operations or policies of the City, as the Consultant believes to be appropriate. The Consultant shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the City or the applicable Consultant may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that the City must certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described above shall be required:

(a) if the Series of Bonds being issued are for the purpose of refunding then Outstanding Bonds and/or the State Loan and there is delivered to the Trustee, instead, a certificate of the City showing that Aggregate Annual Debt Service on all Outstanding Bonds, the State Loan, and Unissued Program Bonds after the issuance of such Refunding Bonds will not exceed the Aggregate Annual Debt Service on all Outstanding Bonds, the State Loan, and Unissued Program Bonds prior to the issuance of such Refunding Bonds, for each Fiscal Year;

(b) if the Series of Bonds being issued constitute Notes and there is delivered to the Trustee, instead, a certificate prepared by the City showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Notes and there is delivered to the Trustee a certificate of the City setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the City will be in compliance with the Indenture; or

(c) if the Series of Bonds being issued are to pay costs of completing a Project for which Bonds have previously been issued and the principal amount of such Series of Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Series of Bonds originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of the City and there is delivered to the Trustee (1) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (2) a certificate of the City to the effect that (y) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (z) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Construction Fund established for the Project (including unspent proceeds of Bonds previously issued for such purpose).

Issuance of Subordinate Obligations

Pursuant to the Master Indenture, the City may, from time to time, incur indebtedness that is subordinate to the lien of the Bonds (“Subordinate Obligations”). Such indebtedness may be incurred at such times and upon such terms as the City shall determine; provided that:

(a) any Supplemental Indenture authorizing the issuance of any Subordinate Obligations must specifically state that such lien on or security interest granted in the Net Revenues is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Bonds;

(b) payment of principal of and interest on such Subordinate Obligations shall be permitted; provided that all deposits required to be made pursuant to the Master Indenture to and from the Wastewater Treatment Fund, if any, are then current in accordance with the Master Indenture; and

(c) such obligations, if a default in payment, may not be accelerated if any Bonds are outstanding.

Rate Covenant

The City covenants in the Master Indenture as follows (referred to herein as the “Rate Covenant”):

(a) The City shall, while any of the Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the City as of the date of execution of the Master Indenture setting forth restrictions relating thereto), fix, prescribe, revise, and collect rates, fees, and charges for the services and facilities furnished by the Enterprise during each Fiscal Year, with the approval of the City Council with respect to rates, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Net Revenues sufficient to pay the following amounts in the following order of priority:

(i) the Aggregate Annual Debt Service on any Outstanding Bonds and the payments due under the State Loan required to be funded by the City in such Fiscal Year as required by the Master Indenture or any Supplemental Indenture with respect to the Outstanding Bonds and the State Loan;

(ii) the required deposits to any Debt Service Reserve Fund which may be established by a Supplemental Indenture;

(iii) the reimbursement owed to any Credit Provider or Liquidity Provider as required by a Supplemental Indenture and the related Credit Facility and Liquidity Facility, and any Debt Service Reserve Fund Surety Policy;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Bonds, but including Subordinate Obligations;

(v) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, but including Subordinate Obligations; and

(vi) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Revenues during such Fiscal Year.

(b) The City further agrees that it will establish, fix, prescribe, revise, and collect rates, fees, and charges for the services and facilities furnished by the Enterprise, so that during each Fiscal Year the Net Revenues, together with any amounts released from the Rate Stabilization Fund and permitted to be used, will be equal to at least 125% of Aggregate Annual Debt Service on the Outstanding Bonds and the State Loan. For purposes of the foregoing, the amount of moneys on deposit in the Rate Stabilization Fund taken into account and considered Net Revenues for purposes of the calculation described above shall not exceed 25% of the Aggregate Annual Debt Service on all Outstanding Bonds and the State Loan in such Fiscal Year.

(c) The City also covenants that if Net Revenues in any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, the City will retain and direct a Consultant to make recommendations as to the revision of the City's wastewater business operations and its schedule of rates, fees, and charges for the services and facilities furnished by the Enterprise, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the City shall take all lawful measures to revise the schedule of rates, fees, and charges for the services and facilities furnished by the Enterprise as may be necessary to produce Net Revenues, after taking into account any permitted amounts on deposit in the Rate Stabilization Fund in accordance with the Master Indenture, in the amount specified in such paragraphs (a) and (b), as applicable, in the next succeeding Fiscal Year.

(d) In the event that Net Revenues for any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, but the City promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rates, fees, and charges for the services and facilities furnished by the Enterprise as required in paragraph (c) above, such deficiency in Net Revenues shall not constitute an Event of Default under the Master Indenture. Nevertheless, if after taking the measures required in paragraph (c) above to revise the schedule of rates, fees, and charges for the services and facilities furnished by the Enterprise, Net Revenues in the second succeeding Fiscal Year (as evidenced by the audited financial statements of the City for such Fiscal Year) are less than the amount specified in paragraphs (a) and (b) above, such deficiency in Net Revenues shall constitute an Event of Default under the provisions of the Master Indenture.

Certain Other Covenants of the City

In addition to the Rate Covenant described above, the City has made several other covenants in the Master Indenture and the Fourth Supplemental Indenture, including, but not limited to, the following:

Punctual Payment of Principal and Interest. The City covenants in the Master Indenture that it will duly and punctually pay or cause to be paid from the Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner set forth in the Master Indenture and any Supplemental Indentures, and as specified in the Bonds, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements contained therein; provided that the City's obligation to make payment of the principal of, premium, if any, and interest on the Bonds shall be limited to payment from the Net Revenues, the funds and accounts pledged therefor in the Master Indenture, and any other source that the City may specifically provide for such purpose and no Owner shall have any right to enforce payment from any other funds of the City. Nothing contained in the Master Indenture shall prevent the City from making advances of its own moneys howsoever derived to any of the uses or purposes referred to therein.

Senior Lien Obligations Prohibited. The City covenants in the Master Indenture that so long as the State Loan is in effect or any Bonds are Outstanding under the Master Indenture, the City will not issue any additional bonds or other obligations with a lien on or security interest granted in Net Revenues that is senior to the Bonds and the State Loan.

Maintenance of Powers. The City covenants in the Master Indenture that it will at all times use its best efforts to maintain the powers, functions, duties, and obligations now reposed in it pursuant to the Bond Law and all other laws and that it will not at any time voluntarily do, suffer, or permit any act or thing the effect of which would be to delay either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants contained in the Master Indenture.

Operation and Maintenance of the Enterprise. The City covenants in the Master Indenture that the Enterprise shall at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with (provided the City shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Enterprise shall be obtained and maintained and that all necessary repairs, improvements, and replacements of the Enterprise shall be made, subject to sound business judgment. The City will maintain the Enterprise in efficient operating condition and make such improvements, extension, enlargements, repairs, and betterments to the Enterprise as may be necessary or advisable for its economical and efficient operation at all times and to supply reasonable public and private demands for Enterprise services within the Service Area of the Enterprise. The City shall employ experienced and competent personnel to manage the Enterprise. The City shall, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the City, all taxes (if any), assessments, or other governmental charges lawfully imposed upon the Enterprise or upon any part thereof, or upon the Revenues or Net Revenues, when the same shall become due, as well as any lawful claim for labor, materials, or supplies or other charges that, if unpaid, might by law become a lien or charge upon the Revenues or Net Revenues or the Enterprise or any part thereof constituting part of the Enterprise.

Accounts. The City covenants in the Master Indenture that it will keep and provide accurate books and records of account showing all Revenues received and all expenditures of the City and that it will keep or cause to be kept accurate books and records of account showing all moneys, Revenues, accounts, and funds (including the Wastewater Treatment Fund and all funds and accounts provided for in the Master Indenture) that are or shall be in the control or custody of the City; and that all such books and records pertaining to the Enterprise shall be open upon reasonable notice during business hours to the Trustee, the Credit Provider, and the Liquidity Provider, and to the Owners of not less than 10% of the Principal Amount of Bonds then Outstanding, or their representatives duly authorized in writing. Within 270 days after the close of each Fiscal Year, so long as any of the Bonds remain Outstanding, the City will prepare audited financial statements including a statement of the income and expenses for such Fiscal Year and a balance sheet prepared as of the close of such Fiscal Year for the City all accompanied by a certificate or opinion in writing of an independent certified public accountant of recognized standing, selected by the City, which opinion shall include a statement that said financial statements present fairly in all material respects the financial position of the City and are prepared in accordance with generally accepted accounting principles.

Insurance; Application of Insurance Proceeds. The City covenants in the Master Indenture that, subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(a) the City shall procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self-Insurance (as defined below) with respect to the facilities constituting the Enterprise and public liability insurance in the form of commercial insurance or Qualified Self-Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the City, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar municipal wastewater systems; and

(b) the City shall send written notice to the Trustee, annually within 120 days after the close of each Fiscal Year of any change in its insurance policies and self-insured programs then in effect with respect to the Enterprise and the operations of the City.

“Qualified Self-Insurance” is defined in the Master Indenture as insurance maintained through a program of self-insurance or insurance maintained with a fund, company, or association in which the City may have a material interest and of which the City may have control, either singly or with others. Each plan of Qualified Self-Insurance shall be established in accordance with law, shall provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the City determines to be reasonable to protect against risks assumed under the Qualified Self-Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self-Insurance, and such self-insurance program shall be reviewed at least once every 12 months by a Consultant who shall deliver to the City a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, it shall make a recommendation as to the amount of reserves that should be established and maintained, and the City shall comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the City.

If, as a result of any event, any part of the Enterprise is destroyed or severely damaged, the City shall create within the Wastewater Treatment Fund a special account and shall credit the net proceeds received as a result of such event of damage or destruction to such account and such net proceeds shall, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Enterprise, or portion thereof, which was damaged or destroyed, (ii) provide additional revenue-producing projects of the Enterprise, (iii) redeem Bonds, or (iv) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Master Indenture; provided, however, that the City shall first deliver to the Trustee a certificate of a Consultant showing that, after taking into account the use of the net proceeds for the redemption of such specified Bonds, the test described in paragraphs (a) and (b) under the caption “Rate Covenant” above would, nevertheless, be met.

Protection of Security and Rights of Owners. The City covenants in the Master Indenture that it will preserve and protect the security of the Bonds and the rights of the Owners of any Bonds. From and after the sale and delivery of any Bonds by the City, the Bonds shall be incontestable by the City.

Limitation on Use of Proceeds. The City covenants in the Master Indenture to make no use of the proceeds of the Bonds which would cause the Bonds to be “private activity bonds” that are not “qualified private activity bonds” under and within the meaning of Section 141(d) of the Code. Without limiting the generality of the foregoing, the City shall not enter into any arrangement or agree to enter into any arrangement the effect of which would be to cause more than five percent of the proceeds of the Bonds to be used directly or indirectly to make or finance loans to persons other than governmental units.

Arbitrage Covenant. The City covenants in the Master Indenture with the Owners of all Bonds at any time Outstanding issued as Bond the interest on which is excluded from gross income for federal income tax purposes that it will make no use of the proceeds of the Bonds which if made at the time of issuance of the Bonds, would have caused any of the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code.

Competing Enterprise. The City covenants in the Master Indenture that, unless contrary to any provision of, or required by applicable law, as long as Bonds are outstanding, the City will not grant any franchise or license to a competing utility system, or permit any person, association, firm, or corporation

to sell similar wastewater treatment services or facilities to any consumer, public or private, within the Service Area of the Enterprise; provided, however, that nothing shall prevent the City from annexing land into its boundaries solely due to the fact that there is a competing utility system or person, association, firm, or corporation selling similar utility services or facilities within or for the land to be annexed. Notwithstanding the foregoing, permits granted to individual homeowners shall not violate this covenant if the City is in compliance with the Rate Covenant as described herein.

Alienating Enterprise. The City covenants in the Master Indenture that, while Bonds are Outstanding, the City shall not, except as permitted below, transfer, sell or otherwise dispose of the Enterprise or assets of the Enterprise financed with the proceeds of Bonds or any Subordinate Obligation. For purposes of this covenant, any transfer of an asset over which the City retains or regains substantial control shall not, for so long as the City has such control, be deemed a disposition of the Enterprise.

The City may transfer, sell or otherwise dispose of the Enterprise or assets of the Enterprise only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) the property being disposed of is, in the City's sole discretion, surplus, unnecessary, inadequate, obsolete or worn out; or

(b) the property proposed to be disposed of and all other property of the Enterprise disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under clause (a) above), will not, in the aggregate, constitute a Significant Portion of the Enterprise determined as described below and the proceeds are deposited into the Wastewater Treatment Fund to be used as described below; or

(c) the City receives fair market value for the property, the proceeds are deposited into the Wastewater Treatment Fund to be used as described below and, prior to the disposition of such property, there is delivered to the Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the City as evidenced by a certificate of the City, the Consultant estimates that the City will be in compliance with the Rate Covenant during each of the five Fiscal Years immediately following such disposition.

The "Significant Portion" is defined in the Master Indenture as property of the Enterprise which, if such property had been disposed of by the City at the beginning of the Fiscal Year which includes the month of commencement of the 12-month period referred to in clause (b) above would have resulted in a reduction in Net Revenues for such Fiscal Year of more than 4% when the actual Net Revenues for such Fiscal Year are decreased by the revenues directly attributable to such property of the Enterprise and increased by the Operation and Maintenance Costs of the City directly attributable to such property of the Enterprise.

Proceeds of the disposition of assets under clause (a) above shall be deposited in any manner the City determines to be in the best interests of the City. Proceeds of the disposition of assets under clause (b) or (c) above shall be deposited into the Wastewater Treatment Fund and used, within a reasonable period of time, not to exceed five years, to (i) provide additional revenue-producing properties to the Enterprise or pay for Operation and Maintenance Costs, (ii) redeem Bonds, or (iii) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Master Indenture.

Properties of the Enterprise that were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes shall not be disposed of, except under the terms of clause (a) above, unless the City has first received a written opinion of Bond

Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition shall be permitted which would cause the City to be in default of any other covenant contained in the Indenture.

Estimated Debt Service on Outstanding Bonds and State Loan

The following table details the principal and estimated interest due with respect to the Series 2015A Bonds and the Series 2012A Bonds, and the payments due under the State Loan.

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ESTIMATED DEBT SERVICE

Fiscal Year Ending June 30	Principal Payments for Series 2007A Unrefunded Bonds ⁽¹⁾	Interest Payments for Series 2007A Unrefunded Bonds ⁽¹⁾	Principal Payments for Series 2012A Bonds	Interest Payments for Series 2012A Bonds ⁽³⁾	Principal Payments for Series 2015A Bonds	Interest Payments for Series 2015A Bonds	State Loan Payments	Total Debt Service on Outstanding Bonds and the State Loan
2016	\$ 5,475,000.00	\$4,185,934.03 ⁽²⁾	\$ 0.00	\$ 145,000.00	\$ 0.00	\$ 4,284,166.67	\$ 902,555.00	\$ 14,992,655.70
2017	6,055,000.00	428,187.50	0.00	145,000.00	0.00	7,275,000.00	902,555.00	14,805,742.50
2018	5,975,000.00	139,437.50	0.00	145,000.00	0.00	7,275,000.00	902,555.00	14,436,992.50
2019	0.00	0.00	0.00	145,000.00	5,525,000.00	7,136,875.00	902,555.00	13,709,430.00
2020	0.00	0.00	0.00	145,000.00	5,955,000.00	6,849,875.00	902,555.00	13,852,430.00
2021	0.00	0.00	0.00	145,000.00	7,245,000.00	6,519,875.00	902,555.00	14,812,430.00
2022	0.00	0.00	0.00	145,000.00	7,670,000.00	6,147,000.00	0.00	13,962,000.00
2023	0.00	0.00	0.00	145,000.00	7,995,000.00	5,755,375.00	0.00	13,895,375.00
2024	0.00	0.00	0.00	145,000.00	8,450,000.00	5,344,250.00	0.00	13,939,250.00
2025	0.00	0.00	0.00	145,000.00	8,920,000.00	4,910,000.00	0.00	13,975,000.00
2026	0.00	0.00	0.00	145,000.00	9,365,000.00	4,452,875.00	0.00	13,962,875.00
2027	0.00	0.00	0.00	145,000.00	9,885,000.00	3,971,625.00	0.00	14,001,625.00
2028	0.00	0.00	0.00	145,000.00	10,405,000.00	3,464,375.00	0.00	14,014,375.00
2029	0.00	0.00	0.00	145,000.00	11,030,000.00	2,928,500.00	0.00	14,103,500.00
2030	0.00	0.00	0.00	145,000.00	11,595,000.00	2,362,875.00	0.00	14,102,875.00
2031	0.00	0.00	0.00	145,000.00	12,195,000.00	1,768,125.00	0.00	14,108,125.00
2032	0.00	0.00	0.00	145,000.00	12,815,000.00	1,142,875.00	0.00	14,102,875.00
2033	0.00	0.00	0.00	145,000.00	13,700,000.00	480,000.00	0.00	14,325,000.00
2034	0.00	0.00	10,000,000.00	145,000.00	2,750,000.00	68,750.00	0.00	12,963,750.00
Total	\$17,505,000.00	\$4,753,559.03	\$10,000,000.00	\$2,755,000.00	\$145,500,000.00	\$82,137,416.67	\$5,415,330.00	\$268,066,305.70

(1) The Series 2007A Unrefunded Bonds are not being refunded with proceeds of the Series 2015A Bonds and will remain outstanding upon the issuance of the Series 2015A Bonds.

(2) Of the total amount of interest paid for this period, \$3,478,778 represents interest accrued on the Series 2007A Refunded Bonds.

(3) Interest on the Series 2012A Bonds has been calculated at an assumed rate of 1.45%.

Sources: City and Underwriters.

THE CITY

The City is located at the southern end of the San Joaquin Valley in the County, approximately 110 miles north of the City of Los Angeles and 290 miles south of the City and County of San Francisco. The City covers over 150 square miles of land and an additional 162 square miles of land area is located within the City's sphere of influence.

The City is a regional center for industry, government, transportation, retail trade, medical services, and oil field operations. Major manufacturing activities include iron and steel fabrication, plastic foam products, food products, petroleum refining, and textiles. Bakersfield is one of the leading convention centers of the state and is the commercial hub of the County. As the County seat, it is the location of many county, state, and federal offices.

The metropolitan area has expanded considerably beyond the City limits. As of January 1, 2015, the estimated population of the County was 874,264 and the estimated population of the City was 369,505, according to the California Department of Finance. The Bakersfield Standard Metropolitan Statistical Area includes the entire County, as defined by the State Employment Development Department. See "APPENDIX B – City of Bakersfield Economic, Financial, and Demographic Information."

The City's general fund is not pledged to secure payment of, and the taxing power of the City is not pledged for, the principal of and interest on the Series 2015A Bonds. The City has included its City of Bakersfield Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014 (the "City's Audited Financial Statements"), as Appendix C to this Official Statement. The City has not requested, and the City's auditor has not given, such auditor's consent to the inclusion in Appendix C of its report contained in the City's Audited Financial Statements. The City has not requested that such auditor undertake any review or investigation concerning subsequent events with respect to such City's Audited Financial Statements.

THE ENTERPRISE

The City provides sewage collection, treatment, and disposal services throughout its Service Area. Its Service Area encompasses approximately 124 square miles of the incorporated City and approximately 10 square miles of the unincorporated area within the County. The City currently operates two wastewater treatment plants (the "Plants") with a combined treatment capacity of 57 million gallons per day ("mgd"). The Plants, along with the other facilities comprising the City's sewer system, constitute the Enterprise. The Wastewater Division of the City's Department of Public Works administers the operation of the Enterprise.

Wastewater Treatment Plant No. 2

Wastewater Treatment Plant No. 2 serves the central and eastern portions of the City, as well as surrounding unincorporated areas, including areas within the jurisdiction of the Kern Sanitation Authority (formerly the Union Avenue County Sanitation District) and the East Niles Community Services District. Included in the Service Area of Wastewater Treatment Plant No. 2 are areas previously served by the City's Wastewater Treatment Plant No. 1, which was decommissioned in 1980. Wastewater Treatment Plant No. 2 was originally completed and placed into service in 1952 with a design capacity of 16.0 mgd maximum monthly flow. Wastewater Treatment Plant No. 2 was upgraded in 1978 to a secondary treatment plant, and again in 2000 to its present design capacity of 25.0 mgd maximum daily flow, as

permitted by waste discharge requirements special order no. R5 2009-0122 issued by Central Valley Regional Water Control Board.

Wastewater Treatment Plant No. 3

Wastewater Treatment Plant No. 3 is located west of State Route 99 in the southern portion of the City, west of Ashe Road between McCutchen Road and Taft Highway. The plant currently serves incorporated and unincorporated areas of northwest, west, and southwest portions of the City. Wastewater Treatment Plant No. 3 was originally constructed in 1972 as a water pollution control facility with a 4 mgd capacity. In 1984, the City expanded the treatment capacity of Wastewater Treatment Plant No. 3 to 8 mgd. In 1988, the City expanded the capacity of Wastewater Treatment Plant No. 3 to 12 mgd. In 1997, the City expanded the capacity of Wastewater Treatment Plant No. 3 to 16 mgd. The City also upgraded Wastewater Treatment Plant No. 3's cogeneration facility in 1998 and the headworks facility in 2002. The City expanded the capacity of Wastewater Treatment Plant No. 3 to 32 mgd, using primarily proceeds of the Series 2007A Refunded Bonds and the previously outstanding City of Bakersfield, California, Wastewater Revenue Bonds, Series 2007B. Wastewater Treatment No. 3 is currently permitted for its total daily discharge flow capacity of 32 mgd based on Waste Discharge Requirements Special Order No. R5-2009-0087 issued by the Central Valley Regional Water Control Board.

Sewer Video Inspection Program

In 1997, the City started a program of sewer video inspections and evaluation of City sewer lines. This program entails a small video camera being inserted into a sewer line. This program enables City staff to video a newly constructed sewer line and detect potential problems prior to the notice of completion being filed for any project for acceptance by the City and to inspect existing sewer lines.

Wastewater Treatment Process

A description of the wastewater treatment system employed by each plant, by major process units, is presented below.

Wastewater Treatment Plant No 2 – Wastewater Treatment Process:

Preliminary Treatment. The preliminary treatment includes a headworks structure, wastewater pumping station, and an aerated grit chamber. Wastewater enters the headworks and passes through two mechanical bar screens that remove large debris, rags, sticks, and other objects that may damage equipment used in the treatment process, after which it flows to an influent wet well, where pumps lift the wastewater to a higher elevation so that it may flow through the plant by gravity. The wastewater then passes through one of two aerated grit chambers that continuously remove inorganic grit and sand particles, which are conveyed to a bin for disposal. The wastewater then flows by gravity to one of three primary clarifier tanks.

Primary Treatment. Primary treatment consists of three primary clarifier tanks, where settleable and floatable organic and inorganic solids are removed. The solids removed are pumped to the sludge handling facilities. The remaining liquid portion is pumped to the trickling filter for secondary treatment.

Secondary Treatment. The trickling filters distribute the wastewater over the honeycomb-like plastic filter media that is covered with a thin bacterial growth. Microorganisms grow on the media and absorb much of the organic content found in the wastewater. When the growth becomes too large, it breaks off and is passed to the next phase of treatment.

Final Treatment. The secondary clarifiers provide a quiescent condition that promotes settling of the bacterial growth from the trickling filters and also any solids or scum not removed during primary sedimentation. The collected sludge and scum are pumped back to the headworks to repeat the treatment process.

Effluent Disposal Facilities. After secondary treatment, the final effluent is stored in storage reservoirs for irrigation use at regulated rates on City-owned farmland.

Sludge Handling Facilities. Sludge that settled in the primary clarifier tanks is pumped to three digester tanks. The sludge in the digester tanks is heated and mixed as part of the treatment process. The treated sludge is discharged to sludge drying beds. The dried sludge is disposed of as a soil conditioner on the City-owned farmland. Methane gas produced is used to power the plant's engine-generators.

Standby Power. One 400-kilowatt engine generator and one 640-kilowatt engine-generator are available to provide either emergency standby power or cogenerated power to Wastewater Treatment Plant No. 2. Both are designed to utilize methane gas fuel. Heat recovery from these engines provides digester sludge heating.

Odor Control. Raw wastewater produces hazardous and odorous gases. Such gases are collected and processed through one biofilter. The biofilter cleans the gas, preventing it from becoming a nuisance to the general public in the area.

Septage and Grease Receiving Station. Restaurant grease traps and septic tanks are serviced by septage and grease haulers. Such haulers discharge their waste at the septage and grease receiving station, where the grease and septage waste undergo treatment by the plant processes.

Wastewater Treatment Plant No 3 – Wastewater Treatment Process:

Preliminary Treatment. Raw wastewater entering the plant passes through a junction box to the headworks. Wastewater first passes through a mechanical bar screen, where large objects are removed, after which it flows to an influent wet well, where pumps lift the wastewater to a higher elevation so that it may flow through the plant by gravity. The wastewater then passes through one of two grit vortex chambers that continuously remove inorganic grit and sand particles, which are conveyed to a bin for disposal. The wastewater then flows by gravity to one of eight primary clarifier tanks.

Primary Treatment. The wastewater, after screening and grit removal, is distributed to eight primary clarifiers. The purpose of the primary clarification is to separate settleable solids from the wastewater by gravity as solids heavier than the liquid settle down (primary sludge) and are collected at the bottom of the clarifiers. Also, the materials lighter than the liquid will float on the surface (scum) and will be skimmed off. The effluent from these clarifiers is collected into a flow junction box and delivered to the plant's secondary process. The sludge scraped from the clarifier floor is conveyed to a sludge hopper located at the center of each clarifier. The primary sludge is pumped to anaerobic digesters for further treatment.

Secondary Treatment. Activated Sludge Process (Aeration Basins): The effluent from the primary clarifiers is conveyed to the flow junction box and from there to the aeration basins. The purpose of the aeration basins is to support biological activities responsible for removing biochemical oxygen demand ("BOD") and nitrogen contents of the wastewater and also producing flows that settle well within the secondary clarifiers, thus removing suspended solids and BOD.

Secondary Clarifiers: The purpose of the secondary clarifiers is to separate the solids from the liquid by gravity as the solids heavier than the liquid settle down (sludge) and are collected at the bottom of the clarifiers. Also, the materials lighter than the liquid will float on the surface (scum) and will be skimmed off. Thus, clear water leaves the secondary clarifiers. Secondary clarifiers operate in a similar manner to primary clarifiers, the major difference being the lower density of the secondary sludge compared to that of the primary sludge. Secondary sludge is either recycled or treated by dissolved air flotation thickeners prior to anaerobic digestion.

Effluent Disposal Facilities. After secondary treatment, the effluent is disposed of in one of three ways. First, the effluent can be sent to percolation ponds that are located on-site. Second, the effluent can be sent to a farm for irrigation; the farm is located near the I-5 Highway and Taft Highway. Third, the effluent can undergo tertiary treatment.

Tertiary Treatment. Filtration is a tertiary treatment process typically adopted to remove organic and inorganic colloidal and suspended solids. The filtered wastewater is disinfected through a chlorination system to reduce the concentration of the total coliform bacteria in the effluent. Filtered wastewater is sent to a mixing chamber where sodium hypochlorite solution is injected and then conveyed to two storage tanks. Disinfected water flows out of the chlorine contact tanks into the wet well of the recycled water pump station. The current capacity of the tertiary treatment process is two mgd.

Sludge Handling Facilities. All sludge from the plant is eventually processed by one of six anaerobic digesters. There are two additional digesters that act as storage tanks prior to dewatering. The digested sludge from the digesters is transferred to centrifuges in the dewatering building by the centrifuge feed pumps. The centrifuges separate the digested sludge solids (cake) from the liquid (centrate). Sludge cake is discharged to a system of collection screw conveyers for transfer to sludge hauling trucks. The sludge cake is then hauled away for off-site disposal. The centrate is pumped back to the head works intake for processing through the plant.

Digester Gas Treatment & Power (Cogeneration). The cogeneration system is used to recover the energy available from the digester gas for plant use. Recovery of the energy from the digester gas is accomplished by feeding the gas to two engine-generators for electrical power production and generation of hot water for digester heating through recovery of a portion of the waste heat from the power generation equipment.

Solar Panels. A solar panel energy field, generating one megawatt of power, and two cogeneration engines, each generating 848 kilowatts of power, support the plant through peak electrical demand and help reduce the plant's utility bill.

Standby Power. Five Caterpillar diesel engines provide emergency power to Plant 3 in the event of a power outage. The sizes of the engines are: 800 kW, 1000 kW, 1500 kW, and two engines at 2000 kW.

Odor Control. Raw wastewater produces hazardous and odorous gases. Such gases are collected and processed through one of two biofilters. The biofilters clean the gas, preventing it from becoming a nuisance to the general public in the area.

Septage and Grease Receiving Station. Restaurant grease traps and septic tanks are serviced by septage and grease haulers. Such haulers discharge their waste at the septage and grease receiving station, where the grease and septage waste undergo treatment by the plant processes.

Insurance of Enterprise

The City self-insures, utilizing an internally established Self Insurance Fund to account for and finance its uninsured risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. See “APPENDIX B – City of Bakersfield Economic, Financial, and Demographic Information – Insurance.”

Management and Organization

The City’s Public Works Department (the “Public Works Department”), with 423 full time employees, is made up of eight divisions. The functions of the Public Works Department are to provide for infrastructure design, construction, and inspection services; to design, install, and maintain traffic control systems; to provide maintenance of street surfaces, publicly owned facilities, and street lighting; to monitor, operate, and maintain Wastewater Treatment Plant No. 2 and Wastewater Treatment Plant No. 3, sanitary sewer and storm drain systems, and the recycling center; and to ensure an adequate inventory of safe and efficient motorized fleet, equipment, and telecommunications systems.

The Wastewater Division of the Public Works Department is responsible for the day-to-day management, operation, and maintenance of the Enterprise. The Wastewater Division’s goals are to provide for the operation and maintenance of wastewater facilities for the purpose of treating, reclaiming, and utilizing wastewater and its byproducts in accordance with federal, state, and local requirements; to provide a healthy and nuisance-free environment; to plan for future wastewater treatment needs to meet the anticipated growth of the City; to monitor and regulate industrial waste discharges; and to establish sewer user fees for properties receiving City sewer service.

The Wastewater Division currently has 40 full time employees, of which 32 are directly involved in the operation and maintenance of the Plants. The Wastewater Manager and the Wastewater Superintendent are the two management positions in the Wastewater Division that are responsible for the day-to-day operations of the Plants. The other eight administrative positions are a combination of engineers, inspectors, and clerical staff.

All blue and white collar (non-supervisory) employees within the Wastewater Division are represented by the City of Bakersfield and the Kern County Employees Association, Inc., Local 700 of the Service Employees International Union, AFL/CIO. The current Memorandum of Understanding expired on December 31, 2014. The City and the union are currently negotiating a new agreement.

Wastewater Treatment Fund

Rates and Charges. The City has the power to establish rates and charges for sewer service as needed, without the overview of any other governmental agency. Sewer service charges are collected in conjunction with property taxes by the County Auditor/Controller’s Office, except large capacity users that are billed by the City. Delinquent sewer service charges become a lien against property until paid.

The City establishes its sewer service charge as it adopts its annual budget, and advises the County Auditor each July of the amount of service charges to be added to the property tax bills. In the recent *Bighorn* decision (as defined herein), the California Supreme Court determined that any increases in a city’s sewer service charge are subject to the public hearing requirements of Proposition 218, the “Right to Vote on Taxes Act,” approved by the voters of the State on November 5, 1996. The City believes that it is in compliance with these requirements. See “RISK FACTORS – Constitutional Provisions Affecting Enterprise Revenues and Expenditures.”

The County currently adds \$0.20 to each wastewater service bill for billing and collection services. The City has the power to bill and collect charges directly rather than through the County, should it choose to do so.

The Revenues collected and received by the Enterprise consist primarily of the following: sewer service charges, connection fees and developer contributions (which are collectively shown on the City’s financial statements “financing reimbursement”), rental income, septage discharge fees, and interest earnings. See “– Financial Statements” below.

Sewer service charges are expressed in terms of single-family dwelling equivalent (“SFDE”) service units. An SFDE service unit is a measurement of demand on the sewerage system equivalent in flow and strength to the average sewage flow from a single-family dwelling. A single-family dwelling, regardless of size, is charged as one SFDE service unit. Other property uses are assigned a number or a fraction of SFDE service units based on their relative demand on the sewerage facilities. The table below shows the approximate number of SFDE service units, as projected in December of the preceding Fiscal Year, which the City has served each year since Fiscal Year 2001-02. The Enterprise serves the majority of the total metropolitan population. The remaining population is currently served by septic tanks and other sanitation districts. Sewer users in the City are primarily residential users, but also include commercial and industrial users. SFDE service units have grown at an average annual rate of approximately 2,303 SFDE service units per year since Fiscal Year 2003-04.

The table below also indicates the City’s annual service charges from Fiscal Years 2003-04 through 2013-14. The sewer service charge is \$205 per equivalent service unit for Fiscal Year 2014-15. On June 3, 2015, the City Council approved a rate increase for sewer service charges of 2.4%, raising the SFDE rate from \$205 to \$210 for fiscal year 2015-16. The City also establishes and maintains a schedule of sewer connection fees and fees for other services. The City’s sewer connection fee for Fiscal Year 2014-15 is \$4,000 per dwelling unit. Sewer service charges are collected annually on the special assessment portion of the *ad valorem* property tax statement. Delinquent amounts against a property result in a default status to that property. These delinquent amounts are ultimately recovered when the property changes ownership.

The following table provides information with respect to SFDE service units and charges for fiscal years 2003-04 through 2013-14:

**Sewerage SFDE Service Units and Charges
Fiscal Years 2003-04 through 2013-14**

Fiscal Year	SFDE Service Units ⁽¹⁾	Annual Service Charge
2003-04	94,557	\$117
2004-05	98,035	120
2005-06	102,641	125
2006-07	107,160	135
2007-08	107,895	155
2008-09	111,711	178
2009-10	113,711	195
2010-11	113,986	200
2011-12	114,857	205
2012-13	115,897	205
2013-14	117,104	205

(1) Data reflects actual SFDE Service Units as of the beginning of the applicable fiscal year.
Source: City

As of June 30, 2014, there were approximately 94,285 accounts (parcels) in the Enterprise Service Area that are within the City limits. Some of these accounts have multiple connections, and as a result, there are more connections than accounts. The connections are converted to SFDE service units by an equivalency factor. The SFDE service units are then used to determine the annual service charge. Based upon charges for Fiscal Year 2013-14, as of June 30, 2014, the distribution of accounts versus connections and SFDE service units is as follows:

**City of Bakersfield
Types of Sewer Users
As of June 30, 2014**

	<u>Accounts</u>	<u>Connections</u>	<u>Equivalency</u>	<u>SFDE Service Factor</u>
Single Family Dwellings	80,668	80,669	1.0	80,669
Multiple Dwellings/Mobile Home	9,350	35,261	0.75	26,446
Schools (based on Average Daily Attendance) ⁽¹⁾	21	2,970	0.04	119
Hotels (based on number of rooms)	72	6,206	0.3	1,862
Hospital (based on number of beds)	7	1,092	0.6	655
Retirement Homes	41	41	1.5	62
Small Commercial	1,742	3,470	1.0	3,470
Large Commercial	<u>2,384</u>	<u>2,548</u>	1.5	<u>3,822</u>
TOTAL	94,285	132,257		117,104

(1) Totals for schools do not include public schools, which are billed directly by the City.
Source: City.

The table below sets forth the 10 largest Revenue contributors for Fiscal Year 2013-14.

**City of Bakersfield
10 Largest Revenue Contributors
Fiscal Year 2013-14**

<u>Ratepayer</u>	<u>Type of Business</u>	<u>2013-14 Sewer User Charges</u>	<u>Percentage of Total Revenue</u>
Dreyer's Grand Ice Cream	Food Processing	\$ 569,556	1.9%
Knights Pumping	Septage Hauler	380,529	1.3
Kern High School District	Education	205,404	0.7
Bakersfield City School District	Education	192,216	0.6
Valley Pumping	Septage Hauler	164,498	0.5
Panama-Buena Vista Union School District	Education	130,236	0.4
Kern Oil & Refining Co.	Industry	82,610	0.3
United Site Services	Septage Hauler	76,908	0.3
California State University, Bakersfield	Education	63,260	0.2
Elite Site Services	Septage Hauler	<u>60,180</u>	<u>0.2</u>
Total revenue from the 10 largest ratepayers		\$ 1,925,397	6.4%
Total revenue from the other ratepayers		<u>26,185,126</u>	<u>93.6</u>
Total sewer user charges (Fiscal Year 2013-14)		\$30,110,523	100.0%

Source: City.

Planned Capital Improvements to Enterprise

The following table summarizes the capital improvements of the Enterprise planned to be constructed during fiscal year 2015-16, and the estimated costs of such improvements, as contained in the City's most recent annual budget. In addition, the City has budgeted approximately \$13,300,000 in its annual budget for capital improvements to the Enterprise to be completed in future fiscal years.

**City of Bakersfield
Wastewater Enterprise
Planned Capital Improvements to Enterprise
Fiscal Year 2015-16**

<u>Planned Improvement</u>	<u>Estimated Cost</u>
Sewer Lift Stations	\$1,000,000
Sewer Line Rehabilitation	40,000
Sewer Plant Facilities	1,600,000
Storm Drains	<u>2,600,000</u>
Total	\$5,240,000

Source: City.

As of the date of this Official Statement, the City expects to pay the costs of all such capital improvements with available case, and does not anticipate the need to incur additional debt for such costs.

History of Revenues, Expenditures, and Debt Service Coverage

The City establishes its sewer service charge as it adopts its annual budget, and advises the County Auditor each July of the amount of service charges to be added to the property tax bills. The County currently adds \$0.20 to each wastewater service bill for billing and collection services. The City has the power to bill and collect charges directly rather than through the County, should it choose to do so. See "APPENDIX B – City of Bakersfield Economic, Financial, and Demographic Information – Tax Levies and Delinquencies; Assessed Valuation of Taxable Property."

The following table presents a description of the historical revenues and expenses attributable to the Enterprise and the related debt service coverage ratios for fiscal years 2009-10 through 2013-14. See also "APPENDIX C – City of Bakersfield Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014."

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City of Bakersfield
Wastewater Enterprise
Historical Revenues, Expenditures, and Debt Service Coverage
For Fiscal Years 2009-10 through 2013-14

	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Operating Revenues:					
Charges for Service	\$27,825,714	\$28,972,884	\$29,956,258	\$29,732,128	\$30,110,525
Other Revenues	1,791,772	1,779,631	787,582	1,093,256	1,037,802
Total Operating Revenues	<u>29,617,486</u>	<u>30,752,515</u>	<u>30,743,840</u>	<u>30,825,384</u>	<u>31,148,327</u>
Less Operating Expenses	<u>(11,928,571)</u>	<u>(14,144,051)</u>	<u>(12,913,038)</u>	<u>(13,156,437)</u>	<u>(14,265,421)</u>
Net Operating Revenues	<u>17,688,915</u>	<u>16,608,464</u>	<u>17,830,802</u>	<u>17,668,947</u>	<u>16,882,906</u>
Non-Operating Revenues:					
Connection Fees	6,837,321	3,992,663	4,761,305	6,243,441	7,137,560
Interest earnings / other	4,575,208	1,737,700	1,264,713	832,766	1,324,967
Total Non-Operating Revenues	<u>11,412,529</u>	<u>5,730,363</u>	<u>6,026,018</u>	<u>7,076,207</u>	<u>8,462,527</u>
Net Revenues Available for Debt Service	<u>\$29,101,444</u>	<u>\$22,338,827</u>	<u>\$23,856,820</u>	<u>\$24,745,154</u>	<u>\$25,345,433</u>
Debt Service:					
State Loan	\$ 902,555	\$ 902,555	\$902,555	\$ 902,555	\$ 902,555
Series 2007A Bonds (Fixed Rate)	10,484,291	11,245,834	12,108,122	11,559,306	11,824,069
Series 2012A Bonds (formerly Series 2007B Bonds) (Variable Rate)	335,514	269,280	972,921	187,905	130,134
Annual Debt Service	<u>\$11,722,360</u>	<u>\$12,417,669</u>	<u>\$13,983,598</u>	<u>\$12,649,766</u>	<u>\$12,856,758</u>
Debt Service Coverage Ratio	<u>2.48%</u>	<u>1.80%</u>	<u>1.71%</u>	<u>1.96%</u>	<u>1.97%</u>

Source: City.

Projection of Revenues, Expenditures, and Debt Service Coverage

The following table presents a summary of the projected operating results of the Enterprise, together with debt service and debt service coverage related to the Series 2015A Bonds. The projections are based on the following assumptions:

Assumption Regarding Projected Revenues. The projections assume a 1.5% growth in the customer base and a 2.4% rate increase in fiscal years 2015-16 and 2017-18.

Assumption Regarding Projected Expenses. The projections assume annual Operation and Maintenance Costs will increase 2.5% annually, primarily as a result of inflation, and increased costs for operations and maintenance of the Enterprise with customer growth assumptions.

Assumption Regarding Interest Earnings on Wastewater Treatment Fund Moneys. The projections assume annual interest earnings on the moneys held in the Wastewater Treatment Fund will continue to be the same as in fiscal year 2014-15.

Assumption Regarding Series 2012A Bonds. The projections assume that portions of the variable rate Series 2012A Bonds will be called in \$5 million increments in fiscal years 2015-16 and 2016-17.

No Parity Obligations. The projections assume that, other than the Series 2015A Bonds, the City will not issue any obligations payable from Net Revenues on a parity with the Series 2015A Bonds, the Series 2007A Unrefunded Bonds, the Series 2012A Bonds, and the State Loan.

Projections are Forward Looking Statements. The projections constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ

materially from those anticipated. Factors that may cause actual results to differ from projected results might include, but are not limited to:

- Adverse changes in the demand for or the price of the services provided by the Enterprise;
- Adverse changes in wastewater, water, or other utility law, policies, and regulation, including market structures and transmission planning;
- Any inability of the City or the Enterprise to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators;
- Changes in federal and state environmental or utility regulations and enforcement that could increase the costs or limit the operations of the Enterprise;
- Actions or activities at one or more of our Enterprise facilities that might adversely affect our ability to continue to operate such facility or to provide required Enterprise services;
- Any inability to manage our Enterprise obligations and risks;
- Adverse outcomes of any legal, regulatory, or other proceeding, settlement, investigation, or claim applicable to the Enterprise, the City, or the utility industry;
- Any deterioration in the credit quality of the City or its obligations;
- Availability of capital and credit at commercially reasonable terms and conditions and the ability of the City to meet cash or financing needs related to the Enterprise;
- Changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of the Enterprise facilities;
- Delays in receipt of necessary permits and approvals for the construction, development, or operational activities related to the Enterprise;
- Unforeseen cost escalations related to the construction, development, or operation of the Enterprise;
- Any inability to achieve, or continue to sustain, expected levels of operating performance of the Enterprise;
- Any equipment failures, accidents, severe weather events, or other incidents that impact the ability of the Enterprise to provide services to customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events;
- Acts of terrorism, cybersecurity attacks, or intrusions that could adversely impact the Enterprise;
- Increases in competition in the utility markets;
- Any inability to realize anticipated tax benefits or retain tax credits related to the Enterprise, if any;

- Challenges associated with recruitment and/or retention of a qualified workforce for the Enterprise; and
- Changes in customer behaviors, including increases or decreases in demand or usage of Enterprise services.

All of the projections made in the following table are qualified by these cautionary statements and the City makes no assurance that any of such projections will be realized. Investors are cautioned not to rely on these projections in making any investment decision.

City of Bakersfield
Wastewater Enterprise
Estimated Revenues, Expenditures, and Debt Service Coverage ⁽¹⁾
For Fiscal Years 2014-15 through 2018-19

	Amended Budget	Proposed Budget	Forecast Estimates		
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Operating Revenues:					
Charges for Service (2)	\$30,278,436	\$30,629,320	\$31,828,968	\$33,057,715	\$33,553,580
Other Revenues (3)	785,310	470,000	470,000	470,000	470,000
Total Operating Revenues	31,063,746	31,099,320	32,298,968	33,527,715	34,023,580
Less Operating Expenses (4)	(14,697,845)	(14,995,974)	(15,370,873)	(15,755,145)	(16,149,024)
Net Operating Revenues	16,365,901	16,103,346	16,928,095	17,772,569	17,874,556
Non-Operating Revenues:					
Connection Fees (5)	5,145,000	5,148,000	5,000,000	5,000,000	5,000,000
Interest earnings / Other (3)	570,000	320,000	320,000	320,000	320,000
Total Non-Operating Revenues	5,715,000	5,468,000	5,320,000	5,320,000	5,320,000
Net Revenues Available for Debt Service	\$22,080,901	\$21,571,346	\$22,248,095	\$23,092,569	\$23,194,556
Debt Service:					
State Loan	\$ 902,555	\$ 902,555	\$ 902,555	\$ 902,555	\$ 902,555
Series 2007A Bonds (Fixed Rate) (6)	13,133,306 (7)	9,660,934	6,483,188	6,114,438	--
Series 2012A Bonds (formerly Series 2007B Bonds) (Variable Rate) (8)	145,000	145,000	145,000	145,000	145,000
Series 2015A Fixed Rate Bonds	--	4,284,167	7,275,000	7,275,000	12,661,875
Annual Debt Service	\$14,180,861	\$14,992,656	\$14,805,743	\$14,436,993	\$13,709,430
Debt Service Coverage Ratio	1.56%	1.44%	1.50%	1.60%	1.69%

- (1) All data in this table subject to assumptions described above.
 - (2) Assumes 1.5% growth of customer base annually and rate increases of 2.4% in fiscal year 2015-16, 2.4% in fiscal year 2016-17, and 2.3% in fiscal year 2017-18.
 - (3) Projected to remain at fiscal year 2015-16 budgeted amount.
 - (4) Excludes depreciation and assumes a 2.5% annual increase in Operating Expenses.
 - (5) Assumes 1.5% growth of customer base annually resulting in consistent demand for service connections each fiscal year.
 - (6) A portion of the Series 2007A Bonds (the Series 2007A Unrefunded Bonds) are not being refunded and will remain outstanding upon the issuance of the Series 2015A Bonds.
 - (7) Of the total amount of interest paid for this period, \$3,478,778 represents interest accrued on the Series 2007A Refunded Bonds.
 - (8) Interest on the Series 2012A Bonds has been calculated at an assumed rate of 1.45%.
- Source: City.

RISK FACTORS

Investment in the Series 2015A Bonds involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the Series 2015A Bonds for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the Series 2015A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Series 2015A Bonds are Limited Obligations

The Series 2015A Bonds are payable solely from Net Revenues and amounts held in certain funds and accounts established under the Indenture. Consequently, the payment of principal of and interest on the Series 2015A Bonds will be dependent upon the availability and sufficiency of such Net Revenues.

The Series 2015A Bonds do not constitute an obligation of the City for which the City must levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Series 2015A Bonds do not constitute a debt or indebtedness of the City, the County, the State, or any political subdivision of the State, within the meaning of any constitutional or statutory debt limitation or restriction.

System Demand

There can be no assurance that the local demand for the services provided by the Enterprise will be maintained at levels described in this Official Statement. Because of changes in demographics within the boundaries of the City, it is possible for the demand for wastewater services to decline over the term of the Series 2015A Bonds. A significant decline in demand might create a situation in which the City could not increase rates sufficiently to offset the decrease in subscribers or usage. This would reduce the City's ability to make payments of the principal or interest due with respect to the Series 2015A Bonds.

Increased Regulations

The adoption by federal or State agencies of more regulations could reduce the amount of Revenues, which could in turn require substantial increases in rates or charges in order to comply with the Rate Covenant. A significant change in effluent standards for wastewater treatment imposed by law or regulation might cause the City to incur greater expenses of operation, thus creating a temporary or permanent inability to generate sufficient Net Revenues to pay the principal and interest with respect to the Series 2015A Bonds when due. It is not possible to predict the timing or nature of more stringent operating standards that may be imposed upon the City over the term of the Series 2015A Bonds.

Increased System Expenses

Changes in technology, increases in the cost of energy, chemicals, or other expenses could reduce Revenues, which could in turn require substantial increases in rates or charges in order to comply with the Rate Covenant. The City's ability to make its debt service payments with respect to the Series 2015A Bonds may be adversely affected until such time as the City is able to increase rates and charges to pay for such increased costs.

Seismic Activity

The Indenture does not require the City to maintain earthquake insurance on the Enterprise. However, the area in and around the City, along with much of the State, shares a history of seismic activity and is thus listed as a “Zone 4” earthquake area in the Uniform Building Code. A Zone 4 designation has the most restrictive design requirements for new construction. The City standards for development have been designed to reduce the risk to the public and adequately mitigate seismic hazards.

There are no known major faults within the City; however, there are several faults, including the San Andreas Fault and the White Wolf Fault, that are considered active faults, and are located approximately 40 miles from the City. Activity along these faults could potentially result in damage to the buildings, roads, bridges, and property within the City in the event of a major earthquake. The Kern County earthquake of 1952, which occurred on the White Wolf Fault, caused considerable and widespread damage within the City and the surrounding areas. No structural damage occurred in the City, however, as a result of the 1989 Loma Prieta earthquake, the Landers and Big Bear earthquakes of June 1992, or the Northridge earthquakes of January 1994.

If a major earthquake were to occur, it may substantially damage or destroy the Enterprise or portions of it. In such a case, under certain circumstances, the Revenues of the Enterprise could possibly be reduced or eliminated if the City was unable to provide wastewater services to its customers, or if the City was required to apply large amounts of Revenues to make extensive repairs to the Enterprise. Such a reduction or elimination of Revenues could impair the ability of the City to make payments of principal or interest with respect to the Series 2015A Bonds when due.

The chance that the occurrence of severe seismic activity in the area of the Enterprise could result in substantial damage and interference with the City’s right to use all or a portion of the Enterprise, and result in a reduction or elimination of Net Revenues, is mitigated by the above-discussed development standards.

Self-Insurance

The City self-insures, utilizing an internally established Self Insurance Fund to account for and finance its uninsured risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. However, no assurance can be given that such self-insurance at the time of any casualty or loss will be adequate to cover any claims that might arise. See “APPENDIX B – City of Bakersfield Economic, Financial, and Demographic Information – Insurance.”

Limitations on Available Remedies and the City’s Ability to Generate Net Revenues

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Series 2015A Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers, or payers of assessments, fees, and charges. See “– Constitutional Provisions Affecting Enterprise Revenues and Expenditures” below. Furthermore, any remedies available to the Owners of the Series 2015A Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Series 2015A Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting

creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to limitations on legal remedies against charter cities in the State. The opinion to be delivered by Kutak Rock LLP, bond counsel, concurrently with the issuance of the Series 2015A Bonds, that the Series 2015A Bonds constitute valid and binding obligations of the City and the Indenture constitutes a valid and binding obligation of the City will be subject to such limitations, and the various other legal opinions to be delivered concurrently with the issuance of the Series 2015A Bonds will be similarly qualified. A complete copy of the proposed form of opinion of bond counsel is set forth in Appendix D hereto. In the event the City fails to comply with its covenants under the Indenture or to pay principal of or interest on the Series 2015A Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of the Series 2015A Bonds.

No Reserve Fund for Series 2015A Bonds

The Master Indenture provides that the city may establish a debt service reserve fund for a given series of Bonds. While such a debt service reserve fund was established for the Series 2007A Bonds, no such debt service reserve fund was established for the Series 2012A Bonds and no such debt service reserve fund will be established for the Series 2015A Bonds.

No Acceleration of Series 2015A Bonds

In no event, upon the occurrence or continuation of an event of default under the Indenture, shall the Owners of the Series 2015A Bonds, the Trustee, or any other party have the right to accelerate the payment of principal of or interest on the outstanding Series 2015A Bonds.

Absence of Market for Series 2015A Bonds

There can be no assurance that there will ever be a secondary market for purchase or sale of the Series 2015A Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions and the financial condition or market position of firms who may make the secondary market.

Potential Limitation of Tax Exemption of Interest on Series 2015A Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2015A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2015A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2015A Bonds. Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS – Changes in Federal and State Tax Law."

Economic, Political, Social, and Environmental Conditions

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic,

political, social, or environmental conditions on a local, state, federal, and/or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage, and natural disasters.

Constitutional Provisions Affecting Enterprise Revenues and Expenditures

California Constitution Article XIII B Limitations. Article XIII B of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority, or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. The “base year” for establishing this appropriations limit is the 1978-79 fiscal year, and the limit is adjusted annually to reflect changes in population, consumer prices, and increases or decreases in the cost of services provided by these public agencies.

Appropriations of an entity of local government subject to Article XIII B include generally authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance, and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues, most State subventions, and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity), and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates that without discretion require an expenditure for additional services or that unavoidably make the providing of existing services more costly. The City believes that its charges for sewer service and wastewater treatment do not exceed the costs it reasonably bears in providing such services and, therefore, are not subject to the limitations of Article XIII B. The City has covenanted in the Master Indenture that it will, in each year, prescribe rates and charges sufficient to provide for payments of the Series 2015A Bonds each year.

California Constitution Article XIII C and Article XIII D Limitations. On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees, and charges. These provisions could adversely affect the financial condition of the City, its ability to comply with its covenants under the Indenture, or the City’s ability to pay principal of or interest on the Series 2015A Bonds. In such event, there can be no assurance that remedies will be available to fully protect the interests of the Owners of the Series 2015A Bonds. See “RISK FACTORS – Limitations on Available Remedies and the City’s Ability to Generate Net Revenues” above.

Article XIII D contains several provisions affecting the ability of local governments to impose or increase “fees” and “charges,” defined for purposes of Article XIII D to mean “any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by ... [a local government] upon a parcel or upon a

person as an incident of property ownership, including a user fee or charge for a property related service”; provided, however, that Article XIID specifically provides that it shall not be construed to “affect existing laws relating to the imposition of fees or charges as a condition of property development.” The City believes that its connection fee charges related to the Enterprise represent a fee or charge as a condition of property development within the meaning of Article XIID, although no assurance can be given that a court would not determine otherwise. “Property related service” means a public service having a direct relationship to property ownership (which term may include tenancies). All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges that (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire, ambulance, or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Pursuant to the *Bighorn* decision, discussed below, the California Supreme Court has held that charges for water service, which charges are similar to the City’s sewer service charges, are property related fees or charges within the meaning of Article XIID. The City believes, however, that its sewer service charges, if also determined to be such property related fees or charges, would satisfy all of these requirements. However, in any legal action contesting the validity of a fee or charge, the City will have the burden of proving exemption from or compliance with Article XIID and no assurance can be given that a court would not determine otherwise. Before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. The City is unable to predict whether the imposition or increase of any fee and charge, including any increase in its sewer service charge, will be prevented by such a majority protest.

Moreover, Article XIID also provides that, beginning July 1, 1997, except for fees or charges for sewer, water, and refuse collection services (or fees for electrical and gas service, which are not treated as property related for purposes of Article XIID), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two thirds voter approval by the electorate residing in the affected area. The City believes that its sewer service charges are charges for sewer service within the meaning of Article XIID, although no assurance can be given that a court would not determine otherwise.

The City does not plan to conduct any new hearings, elections, or other proceedings with respect to any of its existing sewer related fees or charges.

In addition to the provisions described above, Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. In the case *Bighorn-Desert View Water Agency v. Beringson* (“*Bighorn*”), decided by the California Supreme Court on July 24, 2006, the petitioner sought to establish his right to reduce a local water agency’s water rates and fees and charges through the use of the initiative power. In holding for the petitioner on this issue, the Court stated that the absence of a restrictive definition of “fee” or “charge” in Article XIIC suggests that those terms include all levies that are ordinarily understood to be fees or charges, including all of the property-related fees and charges subject to Article XIID. (See the discussion of Article XIID above.) Though the Court did not arrive at an exact definition of such terms, it did determine that fees and charges that are fees and charges within the meaning of Article XIID are necessarily fees and charges within the meaning of Article XIIC. The Court held that Article XIIC authorizes the use of the initiative process to reduce water rates and other delivery charges, but that it does not authorize use of the initiative power to impose a voter-approval

requirement on future increases or new water delivery charges. The Court declined to determine whether the initiative power is limited by other statutory provisions requiring that water service charges be set at a level that will pay system expenses and debt service since that issue was not before the Court.

In light of the *Bighorn* decision, the voters of the City could, by future initiative, seek to repeal or reduce any local tax, assessment, fee, or charge, including the City's sewer service fees and charges, which are the primary source of Net Revenues pledged to the payment of debt service on the Series 2015A Bonds. Though the use of the initiative power is arguably limited in the case of levies directly pledged to bonded indebtedness, such as the fees and charges imposed by the Enterprise and securing the Series 2015A Bonds, there can be no assurance that the voters of the City will not seek to approve an initiative that attempts to reduce the fees and charges imposed by the Enterprise securing the Series 2015A Bonds.

In addition to the foregoing, the City's general financial condition may be affected by other provisions of Article XIIC and Article XIID, including (A) provisions of Article XIIC (i) requiring taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into general fund, to be approved by a two thirds vote, (ii) subjecting all taxes, assessments, fees, and charges to reduction or repeal at any time through the initiative process (as mentioned above), and (iii) provisions of Article XIID that could reduce the ability of the City to fund certain services or programs that it may be required or choose to fund from its general fund, such as provisions (1) adding requirements making it generally more difficult to levy and maintain "assessments," defined to mean a levy or charge upon real property for a particular and distinct benefit to the property over and above general benefits conveyed to property located in the district or to the public at large, (2) requiring any imposition or increase of property related fees or charges other than for sewer, water and refuse collection services or fees for electrical or gas service (which are not treated as property related for purposes of Article XIID) to be approved by "majority of the property owners" subject to the fee or charge or, at the option of the local government, two thirds vote of the electorate residing in the affected area.

The interpretation and application of Proposition 218 will continue to be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such future determinations.

Future Initiatives

Articles XIIB, XIIC, and XIID of the Constitution were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting the generation of Revenues or the City's ability to expend such Revenues.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2015A Bonds. Failure to comply with such requirements could

cause interest on the Series 2015A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015A Bonds. The City will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2015A Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2015A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that interest on the Series 2015A Bonds is exempt from present State of California personal income taxes.

Special Considerations With Respect to the Series 2015A Bonds

The accrual or receipt of interest on the Series 2015A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2015A Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015A Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2015A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Series 2015A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2015A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2015A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series

2015A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2015A Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Premium

All of the Series 2015A Bonds (collectively, the “Premium Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL MATTERS

Kutak Rock LLP, Denver, Colorado, Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and as to the validity of the Series 2015A Bonds. Copies of such opinion will be available at the time of delivery of the Series 2015A Bonds. A copy of the opinion will accompany each Series 2015A Bond. Certain legal matters will be passed upon for the City by the City Attorney, and by Goodwin Procter LLP, Los Angeles, California, as the City’s Disclosure Counsel, and for the Underwriters by Stradling Yocca Carlson & Rauth, Sacramento, California. The proposed form of the opinion of Bond Counsel is included as Appendix D hereto. The fees of Bond Counsel, Disclosure Counsel, and Underwriter’s Counsel are contingent on the successful issuance of the Series 2015A Bonds.

Bond Counsel’s employment is limited to a review of the legal proceedings required for the authorization of the Series 2015A Bonds and to rendering the opinion referred to herein. Such opinion will not consider or extend to this Official Statement, or any sections, documents, agreements, representations, offering circulars, or other material of any kind concerning the Series 2015A Bonds. Bond Counsel takes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

LITIGATION

No litigation is pending concerning the validity of the Series 2015A Bonds or the Indenture. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City’s ability to make payments on the Series 2015A Bonds. There are a number of lawsuits and claims pending against the City. In the opinion of the City Attorney, the aggregate amount of

liability that the City might incur as a result of adverse decisions in such cases would be covered under the City's insurance policies or self-insurance program.

VERIFICATION

The Verification Agent, Grant Thornton LLP, will verify the accuracy of the mathematical computations of the adequacy of the funds held by the Escrow Agent to provide for the refunding and defeasance of the Series 2007A Refunded Bonds.

RATINGS

Moody's Investors Service, Inc., has assigned its municipal bond rating of "Aa2" to the Series 2015A Bonds and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, has assigned its municipal bond rating of "AA" to the Series 2015A Bonds. There is no assurance that such ratings will be in effect for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Series 2015A Bonds. Such ratings reflect only the views of the rating agency and an explanation of the significance of the rating may be obtained only from the rating agency furnishing the same.

UNDERWRITING

The Series 2015A Bonds are being purchased by Citigroup Global Markets Inc., as Senior Manager, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, as Co-Managers (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Series 2015A Bonds at a purchase price of \$170,856,656.60 (comprised of the principal amount of the Series 2015A Bonds, plus an original issue premium of \$25,529,125.05, and less an Underwriters' discount of \$172,468.45). The Underwriters will purchase all of the Series 2015A Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the bond purchase contract relating to the Series 2015A Bonds.

Citigroup Global Markets Inc., an underwriter and the Senior Manager of the Series 2015A Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2015 Bonds.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2015A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015A Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial, and investment banking, financial

advisory, investment management, principal investment, hedging, financing, and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriters are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates has acted as Financial Advisor to the City in conjunction with the issuance of the Bonds. The Financial Advisor has assisted the City in matters related to the planning, structuring, execution, and delivery of the Bonds. The Financial Advisor will receive compensation contingent upon the sale and delivery of the Bonds.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal or other public securities.

PROFESSIONAL FEES

The fees payable to certain professionals, including the Underwriters, Kutak Rock LLP, as Bond Counsel, Goodwin Procter LLP, as Disclosure Counsel, Fieldman, Rolapp & Associates, as Financial Advisor, and the Trustee, are contingent upon the issuance of the Series 2015A Bonds. The fees of Grant Thornton LLP, are not contingent upon the issuance of the Series 2015A Bonds.

CONTINUING DISCLOSURE

The City will covenant in a Continuing Disclosure Certificate for the benefit of Owners of the Series 2015A Bonds to provide an annual report containing certain financial information and operating data relating to the City and to provide notices of the occurrence of certain enumerated events as specified therein. The specific nature of the information to be contained in each annual report, or each notice of listed events, and the applicable deadlines, are set forth in the Continuing Disclosure Certificate, the form of which is attached hereto as Appendix F. These covenants will be made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), as amended.

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MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2015A Bonds. Quotations and summaries and explanations of the Series 2015A Bonds and of statutes and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions. Copies of the Indenture may be obtained upon written request to the City at City of Bakersfield, 1600 Truxtun Avenue, Bakersfield, California 93301, Attention: Finance Director, or to the Trustee at U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Department.

The preparation and distribution of this Official Statement have been authorized by the City.

CITY OF BAKERSFIELD

By: /s/ Nelson K. Smith
Finance Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Indenture and the Fourth Supplemental Indenture.

“*Account*” means any account established pursuant to the Indenture or any Supplemental Indenture.

“*Accreted Value*” means (a) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Indenture as the amount representing the initial principal amount of such Capital Appreciation Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value will be determined in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond or Original Issue Discount Bond. All references in the Indenture to “principal” will also include Accreted Value, as applicable.

“*Act*” means the Bond Law and Section 33.3 of the Charter.

“*Aggregate Annual Debt Service*” means for any Fiscal Year the aggregate amount of Annual Debt Service on all Outstanding Bonds and Unissued Program Bonds. For purposes of calculating Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the amount of principal to be funded in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds and Unissued Program Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such year; in determining the amount of interest to be funded in each year, interest payable at a fixed rate will (except to the extent subsection (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; provided, however, that interest payable on the Bonds will be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Bonds or Unissued Program Bonds constitute Balloon Indebtedness (excluding Program Bonds or Unissued Program Bonds to which subsection (f) applies), then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be that rate

quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Bonds, Unissued Program Bonds or Program Bonds, only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Program Bonds or Program Bonds, or that portion of a Series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Bonds which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Aggregate Annual Debt Service a certificate of an Authorized City Representative stating that the City intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the City is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Bonds (including Program Bonds) or any Bonds which are then proposed to be issued constitute Tender Indebtedness (but excluding Program Bonds or Bonds as to which a Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Aggregate Annual Debt Service, Tender Indebtedness will be treated as if the principal amount of such Bonds were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Annual Debt Service payments and extending not later than 30 years from the date such Tender Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; and with respect to all funding requirements of principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Bonds constitute Variable Rate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Bonds will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Program Bonds or Unissued Program Bonds (other than a Commercial Paper Program) (i) debt service on Program Bonds then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Program Bonds, it will be assumed that the full principal amount of such Unissued Program Bonds will be amortized over a term certified by an Authorized City Representative at the time the initial Program Bonds of such Program are issued to be the expected duration of such Program or, if such expectations have changed, over a term certified by an Authorized City Representative to be the expected duration of such Program at the time of such calculation, but not to exceed 30 years from the date the initial Program Bonds of such Program are issued and it will be assumed that debt service will be paid in substantially level Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Repayment Obligations, to the extent such obligations constitute Bonds under the Indenture, will be calculated as provided therein;

(h) (i) for purposes of computing the Aggregate Annual Debt Service of Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the City elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, or if the City fails to elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the City;

(ii) for purposes of computing the Aggregate Annual Debt Service of Bonds with respect to which a Swap has been entered into whereby the City has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Bonds to which such Swap pertains will be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Bonds will, if the City elects, be the sum of that rate as determined in accordance with subsection (e) relating to Variable

Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider;

(i) with respect to any Commercial Paper Program which has been Implemented and not then terminated or with respect to any Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Authorized Amount of such Commercial Paper Program were to be amortized over a term of 35 years commencing in the year in which such Commercial Paper Program is Implemented and with substantially level Annual Debt Service payments; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(j) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Bonds, then the principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Annual Debt Service;

(k) if state and/or federal grants or other moneys have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Bonds, then the principal and/or interest to be paid from such and/or federal grants or other moneys or from earnings thereon will be disregarded (unless such state and/or federal grants or other moneys are included in the definition of Revenues) and not included in calculating Aggregate Annual Debt Service; and

(l) for purposes of computing Aggregate Annual Debt Service on the State Loan, the preceding subsections of this definition will apply, except the term “Bonds” will be read to mean the State Loan.

“*Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Aggregate Annual Debt Service for a Debt Service Reserve Fund with respect to all Outstanding Bonds participating in an identified Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Aggregate Annual Debt Service For Reserve Requirement for the respective Debt Service Reserve Fund, if any, for a Series of Bonds, the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series participating in a Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Bonds containing Balloon Indebtedness or Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“*Annual Debt Service*” means, with respect to any Bond, the aggregate amount of principal and interest becoming due and payable during the Fiscal Year, and if a Qualified Swap is in effect for any

Bond, plus the amount payable by the City (or the Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the City from the Qualified Swap Provider pursuant to the Qualified Swap, calculated using the principles and assumptions set forth in the definition of Aggregate Annual Debt Service.

“*Authorized Amount*” means, when used with respect to Bonds, including Bonds issued pursuant to a Program, the maximum Principal Amount of Bonds which is then authorized by a resolution adopted by the Council or a Supplemental Indenture entered into pursuant to the Indenture to be Outstanding at any one time under the terms of such Program or Supplemental Indenture. If the maximum Principal Amount of Bonds or Program Bonds authorized by a preliminary resolution or form of Supplemental Indenture approved by the City pursuant to the Indenture exceeds the maximum Principal Amount of Bonds set forth in the final resolution adopted by the Council or in the definitive Supplemental Indenture executed and delivered by the City pursuant to which such Bonds are issued or such Program is established, the Principal Amount of such Bonds or Program Bonds as is set forth in said definitive Supplemental Indenture as executed and delivered by the City and a resolution adopted by the Council will be deemed to be the “Authorized Amount.”

“*Authorized City Representative*” means the City Manager or such other officer, official or employee of the City or other person, as determined by the City Manager, which other officer, official, employee or person, has been designated by the City Manager as an Authorized City Representative by written notice delivered by the City Manager to the Trustee or other fiduciary.

“*Balloon Indebtedness*” means, with respect to any Series of Bonds 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Commercial Paper Program and the Commercial Paper constituting part of such Program will not be Balloon Indebtedness.

“*Bond*” or “*Bonds*” means any debt obligation of the City issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper notes and other instruments creating an indebtedness of the City, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in the Indenture. The term “Bond” or “Bonds” herein does not include any Subordinate Obligation; provided, however, that the City may provide in a Supplemental Indenture that Subordinate Obligations may be thereafter issued pursuant to the Indenture having the terms applicable to the Bonds, except that such Subordinate Obligations will be junior and subordinate in payment to the Bonds from Net Revenues. The term “Bond” and “Bonds” includes Program Bonds.

“*Bond Counsel*” means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Indenture and which are acceptable to the City.

“*Bond Law*” means the City of Bakersfield Enterprise Revenue Bond Law, being Chapter 3.55 of the City’s Municipal Code, which incorporates, to the extent made applicable by the Bond Law, the Revenue Bond Law of 1941, being Chapter 6 of Division 2 of Title 5 of the California Government Code, as enacted and thereafter amended.

“*Bondholder*,” “*holder*,” “*Owner*,” “*owner*” or “*registered owner*” means the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar and will include any Credit Provider or Liquidity Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond under the provisions of the Indenture.

“*Business Day*” means a day on which banks located in New York, New York, in Los Angeles, California, in any office of a Credit Provider where draws under a Credit Facility are presented, and in the city in which the principal corporate trust office of the Trustee is located are open, provided that such term may have a different meaning for any specified Series of Bonds if so provided by Supplemental Indenture.

“*Capital Appreciation Bonds*” means Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically will be Capital Appreciation Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

“*Capitalized Interest*” means the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other moneys that are deposited with the Trustee in the Debt Service Fund as will be described in a Supplemental Indenture upon issuance of Bonds to be used to pay interest on the Bonds.

“*Charter*” means the Charter of the City, as may be in effect from time to time.

“*City*” means the City of Bakersfield, California, a charter city duly organized and existing under the Constitution and laws of the State, and any successor thereto.

“*City Attorney*” means the City Attorney or his or her designee.

“*City Manager*” means the person at a given time who is the City Manager of the City as provided for in the Charter assigned to such position and the officer of officers succeeding to such position.

“*Council*” means the Council of the City.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

“*Commercial Paper*” means notes of the City with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the City.

“*Commercial Paper Program*” means a Program authorized by the Council pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Authorized Amount of such Program.

“*Connection Fees*” means any fee or charge imposed upon any person or entity payable as a condition to establishing a physical connection to the Enterprise through which sewage effluent will be discharged into the Enterprise.

“*Construction Fund*” means any of the Construction Funds authorized to be created as provided in the Indenture.

“*Consultant*” means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, financial advisory or investment banking firm or other expert recognized to be well-qualified for work of the character required and retained by the City to perform acts and carry out the duties provided for such consultant in the Indenture.

“*Costs*” or “*Costs of a Project*” means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the City or a Consultant; (d) costs of the City properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Bonds, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, a Debt Service Reserve Fund, if any, Trustee’s fees and expenses; (f) any Swap Termination Payments due in connection with a Series of Bonds or the failure to issue such Series of Bonds; and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the City.

“*Costs of Issuance*” means all costs and expenses incurred by the City in connection with the issuance of the Series 2015A Bonds, including, but not limited to, as applicable, costs and expenses of printing and copying documents, the preliminary and final official statements, the Series 2015A Bonds, underwriter’s compensation, and the fees, costs and expenses of rating agencies, the Trustee, the Escrow Agent, counsel, accountants, financial advisors, feasibility consultants, and other consultants.

“*Credit Facility*” means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby bond purchase agreement, Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal or Accreted Value of and/or interest on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the City fails to do so.

“*Credit Provider*” means the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

“*Debt Service Fund*” or “*Debt Service Funds*” means a Debt Service Fund or any of the Debt Service Funds required to be created as provided by the Indenture.

“*Debt Service Reserve Fund*” means any Debt Service Reserve Fund created by the City or by the Trustee pursuant to a Supplemental Indenture in connection with the issuance of any Series of Bonds and that is required to be funded for the purpose of providing additional security for such Series of Bonds and under certain circumstances to provide additional security for such other designated Series of Bonds issued pursuant to the terms of the Indenture and as specified in any Supplemental Indenture.

“Debt Service Reserve Fund Surety Policy” means an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Debt Service Reserve Fund created for one or more series of Outstanding Bonds in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Debt Service Reserve Fund Surety Policy will be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

“Designated Debt” means a specific indebtedness designated by the City in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series of Bonds.

“Enterprise” means the entire municipal wastewater and sewage collection, treatment and disposal services provided by the City throughout the Service Area, including, but not limited to, all wastewater treatment plants, facilities, properties and improvements at any time owned, controlled or operated by the City for the collection, treatment and disposal of wastewater and sewage for residents of the Service Area, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City. The term *“Enterprise”* does not include any facilities, properties or improvements constituting any portion of the public water supply system in the City.

“Escrow Agent” means U.S. Bank National Association, and its successors and assigns, acting as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement, dated August 13, 2015, by and between the City and the Trustee, as trustee and escrow agent, and under which a portion of the proceeds of the Series 2015A Bonds are to be deposited and used to pay the principal of and interest on the Refunded Series 2007A Bonds.

“Escrow Fund” means the fund by that name established and held pursuant to the Escrow Agreement.

“Event of Default” means any occurrence or event specified in the Indenture.

“Favorable Opinion of Bond Counsel” means, with respect to any action relating to the Series 2015A Bonds, the occurrence of which requires such an opinion, an unqualified written legal opinion of Bond Counsel to the effect that such action is permitted under the Fourth Supplemental Indenture and the Master Indenture and will not impair the exclusion of interest on the Series 2015A Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exception contained in the opinion delivered upon the original issuance of Series 2015A Bonds).

“Finance Director” means the person at a given time who is the Finance Director of the City assigned to such position and the officer or officers succeeding to such position.

“First Supplemental Indenture” means the First Supplemental Indenture dated as of August 1, 2007, by and between the City and the Trustee.

“Fiscal Year” means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the City designates as its fiscal year.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the

functions of a securities rating agency, “Fitch” will be deemed to refer to any nationally recognized rating agency designated by the City.

“*Fourth Supplemental Indenture*” means the Fourth Supplemental Trust Indenture dated as of August 1, 2015, by and between the City and the Trustee.

“*Government Obligations*” means (a) United States Obligations (including obligations issued or held in book-entry form), (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in their highest rating category by one or more of the Rating Agencies, but only if such Rating Agencies have been requested by the City to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Bonds to be defeased have determined to be permitted defeasance securities.

“*Implemented*” means, when used with respect to a Program, a Program which has been authorized and the terms thereof approved by a resolution adopted by the Council and, with respect to which Program, various items described in the Indenture have been filed with the Trustee.

“*Indenture*” means the Master Trust Indenture, dated as of August 1, 2007, by and between the City and the Trustee, together with all Supplemental Indentures.

“*Independent*” means, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the City, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the City as an official, officer or employee.

“*Initial Bonds*” means those Bonds issued pursuant to the Indenture.

“*Investment Agreement*” means an investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

“*Liquidity Facility*” means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds that have been tendered for purchase but not remarketed.

“*Liquidity Provider*” means the entity, including a Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

“*Liquidity Provider*” means the entity, including a Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

“*Mail*” means by first-class United States mail, postage prepaid.

“*Master Indenture*” means the Master Trust Indenture, dated as of August 1, 2007, by and between the City and the Trustee, under which the Series 2015A Bonds are authorized and secured.

“*Maximum Aggregate Annual Debt Service*” means the maximum amount of Aggregate Annual Debt Service with respect to all Bonds, Unissued Program Bonds and the Authorized Amount of all Bonds then proposed to be issued in the then current or any future Fiscal Year.

“*Moody’s*” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, “*Moody’s*” will be deemed to refer to any other nationally recognized rating agency designated by the City.

“*Maximum Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Maximum Aggregate Annual Debt Service for a Debt Service Reserve Fund with respect to all Outstanding Bonds participating in an identified Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Maximum Aggregate Annual Debt Service For Reserve Requirement for the respective Debt Service Reserve Fund, if any, for a Series of Bonds the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series participating in an identified Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Bonds containing Balloon Indebtedness or Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“*Net Revenues*” means, for any Fiscal Year, the Revenues for such Fiscal Year, less the Operation and Maintenance Costs for such Fiscal Year.

“*Non-Qualified Swap*” means any Swap which is not a Qualified Swap.

“*Notes*” means Bonds issued under the provisions of the Indenture which have a maturity of one year or less from their date of original issuance and which are not part of a Commercial Paper Program.

“*Operation and Maintenance Costs*” means, for any given period, the total reasonable and necessary costs and expenses paid or incurred by the City for maintaining and operating the Enterprise, as determined in accordance with generally accepted accounting principles as in effect from time to time, including all reasonable expenses of management, repair and other expenses necessary to maintain and

preserve the Enterprise in good repair and working order, and including all administrative costs of the City that are properly charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs and expenses of the City or charges required to be paid by the City to comply with the terms of the Indenture, such as compensation, reimbursement and indemnification of the Trustee, the Credit Provider, the Liquidity Provider and fees and expenses of Consultants; but excluding in all cases Annual Debt Service, depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles and operation and maintenance expenses of the Enterprise payable from moneys other than Revenues.

“*Operation and Maintenance Subaccount*” means the “Operation and Maintenance Subaccount” created by the City within the Wastewater Treatment Fund pursuant to the Indenture.

“*Original Issue Discount Bonds*” means Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Bonds by the Supplemental Indenture under which such Bonds are issued.

“*Outstanding*” when used with respect to Bonds means all Bonds which have been authenticated and delivered under the Indenture, except:

- (a) Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;
- (b) Bonds deemed to be paid in accordance with the Indenture;
- (c) Bonds in lieu of which other Bonds have been authenticated under the Indenture;
- (d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;
- (e) Bonds which, under the terms of the Supplemental Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;
- (f) Repayment Obligations deemed to be Bonds under the Indenture to the extent such Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Bonds acquired by the Liquidity Provider; and
- (g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under the Indenture, Bonds held by or for the account of the City or by any person controlling, controlled by or under common control with the City, unless such Bonds are pledged to secure a debt to an unrelated party.

“*Paying Agent*” or “*Paying Agents*” means, with respect to the Bonds or any Series of Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Indenture or a resolution of the City as the place where such Bonds will be payable.

“*Payment Date*” means, with respect to any Bonds, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

“*Permitted Investments*” means any of the following, but only to the extent permitted by the laws of the State and the City’s investment policy:

- (a) United States Obligations;
- (b) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;
- (c) Direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies;
- (d) Direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies;
- (e) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation (“FDIC”) or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (i) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (ii) fully secured by obligations described in item (a) or (b) of this definition of Permitted Investments (A) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (C) subject to a perfected first lien in favor of the Trustee, and (D) free and clear from all third-party liens;
- (f) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;
- (g) Repurchase agreements which are (A) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (B) fully secured by obligations specified in items (a) or (b) of this definition of Permitted Investments (1) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (2) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (3) subject to a perfected first lien in favor of the Trustee and (4) free and clear from all third-party liens;
- (h) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies;

(i) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (A) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (B) a money market fund or account of the Trustee or its affiliates or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose own bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than \$50,000,000 (all investments included in this clause (i) may include funds which the Trustee or its affiliates provide investment advisory or other management services);

(j) Interest bearing notes issued by a banking institution having a combined capital and surplus of at least \$500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(k) Public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(l) Obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(m) Investment Agreements;

(n) Any other type of investment consistent with City policy in which the City directs the Trustee to invest provided that there is delivered to the Trustee a certificate of an Authorized City Representative stating that each of the Rating Agencies then maintaining a rating on the Bonds has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Bonds;

(o) Any state administered pool investment fund in which the City is statutorily permitted or required to invest (including but not limited to the State of California Local Agency Fund ("LAIF") established pursuant to Section 16429.1 et seq. of the Government Code of the State);

(p) Any investment specifically authorized by a Credit Provider for a Series of Bonds, as set forth in a Supplemental Indenture; and

(q) any other investment which is a permitted investment of the City in accordance with the laws of the State.

"Principal Amount" or *"principal amount"* means, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Bond, the Accreted Value thereof, unless the Supplemental Indenture under which such Bond was issued will specify a different amount, in which case, the terms of the Supplemental

Indenture will control, and (c) with respect to any other Bonds, the principal amount of such Bond payable at maturity.

“*Program*” means a financing program identified in a Supplemental Indenture, including but not limited to a Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the City and various items described in the Indenture have been filed with the Trustee, (b) wherein the City has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an Authorized Amount, and (c) the Authorized Amount of which has met the additional bonds test set forth in the Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Authorized Amount.

“*Program Bonds*” means Bonds issued and Outstanding pursuant to a Program, other than Unissued Program Bonds.

“*Project*” means any and all facilities, improvements and other expenditures related to the Enterprise financed in whole or in part with proceeds of a Series of Bonds.

“*Qualified Swap*” means any Swap (a) whose Designated Debt is all or part of a particular Series of Bonds; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Annual Debt Service or Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Trustee by the City as a Qualified Swap with respect to such Bonds.

“*Qualified Swap Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1,” in the case of Moody’s and “A+,” in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien on behalf of the Trustee, and (iv) free and clear from all third-party liens.

“*Rate Stabilization Fund*” means the “Rate Stabilization Fund” created by the City pursuant to the Indenture.

“*Rating Agency*” and “*Rating Agencies*” means Fitch, Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the City to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds.

“*Rating Category*” and “*Rating Categories*” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“*Rebate Fund*” means any fund created by the City pursuant to a Supplemental Indenture in connection with the issuance of the Bonds or any Series of Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“*Record Date*” means, with respect to any Series of Bonds, the record date as specified in the Supplemental Indenture which provides for the issuance of such Series.

“*Refunded Series 2007A Bonds*” means the portion of the Series 2007A Bonds being advance refunded and defeased with a portion of the proceeds of the Series 2015A Bonds, as set forth in the Fourth Supplemental Indenture.

“*Refunding Bonds*” means any Bonds issued pursuant to the Indenture to refund or defease all or a portion of any series of Outstanding Bonds or the State Loan.

“*Registrar*” means, with respect to the Bonds or any Series of Bonds, the bank, trust company or other entity designated in a Supplemental Indenture or a resolution of the City to perform the function of Registrar under the Indenture or any Supplemental Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Indenture.

“*Regularly Scheduled Swap Payments*” means the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

“*Repayment Obligation*” means an obligation arising under a written agreement of the City and a Credit Provider pursuant to which the City agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Bonds or an obligation arising under a written agreement between the City and a Liquidity Provider pursuant to which the City agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Bonds that have been tendered for purchase but not remarketed.

“*Reserve Requirement*” means, except as otherwise set forth in a Supplemental Indenture, an amount equal to the least of (a) Maximum Aggregate Annual Debt Service For Reserve Requirement for all Series of Bonds participating in the Debt Service Reserve Fund, (b) 10% of the principal amount of the Series of Bonds that have been issued and are participating in the Debt Service Reserve Fund, less the amount of original issue discount with respect to such Series of Bonds if such original issue discount exceeded 2% on such Series of Bonds at the time of their original sale and (c) 125% of the average Aggregate Annual Debt Service For Reserve Requirement for all Series of Bonds participating in the Debt Service Reserve Fund.

“*Responsible Officer*” means an officer or assistant officer of the Trustee assigned by the Trustee to administer the Indenture.

“*Revenues*” means all charges received for, and all other income and receipts directly or indirectly derived by the City relating to the operation and use of the Enterprise, or arising from the Enterprise, or any part of the Enterprise, and includes, without limitation, all revenues received by the City, or any municipal corporation or agency succeeding to the rights of the City, from the Enterprise, and from the sale and use of wastewater, wastewater services or facilities, or any other service, commodity or facility or any combination thereof within or beyond the Service Area relating to the Enterprise. Such term also includes:

(a) except as provided in (v) below, investment earnings allocated to the Wastewater Treatment Fund by the City from amounts in the Construction Fund, the Rate Stabilization Fund, the Debt Service Fund, the Debt Service Reserve Funds and from surplus Net Revenues in accordance with the Indenture;

(b) all income derived from the investment of any money in the Wastewater Treatment Fund;

(c) money released from the Rate Stabilization Fund, to the extent that the amount released is not considered Revenues and is used to pay Operation and Maintenance Costs or debt service requirements on the Bonds or the State Loan in the year released;

(d) money released from the Rebate Fund to the City and allocated by the City to the Wastewater Treatment Fund in accordance with a Supplemental Indenture;

(e) property insurance proceeds which are not necessary to restore or replace the property lost or damaged and the proceeds of the sale or other disposition of any part of the Enterprise;

(f) that portion of expansion charges and/or impact fees established specifically to pay debt service on debt obligations;

(g) any rental income derived from the leasing of real property;

(h) Connection Fees; and

(i) any money released from the Rate Stabilization Fund to the extent necessary to meet the rate covenant under the Master Indenture.

Revenues do not include:

(i) any money received as (A) grants or gifts from the United States of America, the State or other sources, and limited to a specific purpose inconsistent with the payment of principal of and interest on the Bonds, (B) the proceeds of any charge or tax intended as a replacement therefore or other capital contributions from any source which are restricted as to a use inconsistent with the payment of principal of and interest on the Bonds, or (C) the proceeds of any charges required by State or federal regulations to be levied and collected from users and held, distributed or used for a specific designated or limited purpose;

(ii) taxes and/or fees collected by the City and remitted to other governmental agencies;

(iii) condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption;

(iv) proceeds from the sale of real property owned or used by the Enterprise;

(v) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code;

(vi) any current year Revenues transferred into the Rate Stabilization Fund; or

(vii) Capitalized Interest.

“*Securities Depository*” means DTC or any successor securities depository appointed by the City pursuant to the Fourth Supplemental Indenture.

“*Securities Exchange Act*” means the federal Securities Exchange Act of 1934, as amended, and any successor thereto.

“*Serial Bonds*” means Bonds for which no sinking installment payments are provided.

“*Series*” means Bonds designated as a separate Series by a Supplemental Indenture and, with respect to Program Bonds or a Commercial Paper Program, means the full Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Indenture, designated as a separate Series.

“*Series 2007A Bonds*” means the \$190,695,000 aggregate principal amount of Bonds issued under the Master Indenture and the First Supplemental Indenture and designated “City of Bakersfield, California Wastewater Revenue Bonds, Series 2007A.”

“*Series 2015A Bonds*” means the \$145,500,000 aggregate principal amount of Bonds issued under the Master Indenture and the Fourth Supplemental Indenture and designated “City of Bakersfield, California Wastewater Revenue Refunding Bonds, Series 2015A.”

“*Series 2015A Costs of Issuance Fund*” means the Costs of Issuance Fund of such designation created in the Fourth Supplemental Indenture and into which money is to be deposited to pay Costs of Issuance of the Series 2015A Bonds.

“*Series 2015A Debt Service Fund*” means the fund of such designation created in the Fourth Supplemental Indenture.

“*Service Area*” means 124 square miles of the incorporated City and approximately 10 square miles area within Kern County, and such additional area as may be added to or serviced by the Enterprise.

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, “*S&P*” will be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“*State*” means the State of California.

“*State Loan*” means the obligation of the City to repay a loan from the State made pursuant to State Revolving Fund Loan Program Contract No. 7-806-550-0, dated as of September 3, 1997, by and between the City, and the State, acting through the State Water Board, whereby the State Water Board loaned the City \$14,954,054 from the State Revolving Fund Loan Program to pay a portion of the costs and expenses of an upgrade and expansion to the Enterprise’s Wastewater Treatment Plant 2. Pursuant to the State Loan, the City owes an aggregate repayment amount of \$17,944,937. Such repayment obligation is secured by Net Revenues and is on a parity with the Bonds.

“*State Water Board*” means the State Water Resources Control Board.

“*Subordinate Obligation*” means any bond, note or other debt instrument issued or otherwise entered into by the City which ranks junior and subordinate to the Bonds and the State Loan and which may be paid from moneys constituting Net Revenues only if all amounts of principal and interest which have become due and payable on the Bonds and State Loan whether by maturity, redemption or acceleration have been paid in full and the City is current on all payments, if any, required to be made to replenish all Debt Service Reserve Funds. “Subordinate Obligations” are not Bonds for purposes of the Indenture; provided, however, that the City may by Supplemental Indenture elect to have the provisions of the Indenture applicable to the Bonds apply to the Subordinate Obligations issued thereunder, except that such Subordinate Obligations will be secured on a junior and subordinate basis to the Bonds and the State Loan from the Net Revenues. No bond, note or other instrument of indebtedness will be deemed to be a “Subordinate Obligation” for purposes of the Indenture and payable on a subordinate basis from Net Revenues unless specifically designated by the City as a “Subordinate Obligation” in a Supplemental Indenture or other written instrument. In connection with any Subordinate Obligation with respect to which a Swap is in effect or proposes to be in effect, the term “Subordinate Obligation” includes, collectively, both such Subordinate Obligation and either such Swap or the obligations of the City under each such Swap, as the context requires. The term “Subordinate Obligations” also includes a Swap or the obligations of the City under such Swap which has been entered into in connection with a Subordinate Obligation, as the context requires, although none of the Subordinate Obligations with respect to which such Swap was entered into remain outstanding. In connection with any Bonds with respect to which a Qualified Swap is in effect or proposed to be in effect, the term “Subordinate Obligation” includes any Swap Termination Payment if designated as a Subordinate Obligation in a Supplemental Indenture.

“*Subordinate Obligation Trustee*” means the entity named and serving as the trustee under a Subordinate Obligation Trust Indenture, until a successor replaces it and, thereafter, will mean such successor.

“*Subordinate Obligation Trust Indenture*” means a separate trust indenture entered into by the City with a Subordinate Obligation Trustee which provides for the issuance of Subordinate Obligations.

“*Supplemental Indenture*” means any document supplementing or amending the Indenture or providing for the issuance of Bonds and entered into as provided in the Indenture.

“*Swap*” means any financial arrangement between the City and a Swap Provider which provides that (a) each of the parties will pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid will reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued will reflect the time value of such funds; and (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one will pay to the other any net amount due under such arrangement.

“*Swap Provider*” means a party to a Swap with the City.

“*Swap Termination Payment*” means an amount payable by the City or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

“*Synthetic Fixed Rate Debt*” means indebtedness issued by the City which: (a) is combined, as Designated Debt, with a Qualified Swap and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“*Tax Compliance Certificate*” means the certificate of the City prepared by Bond Counsel and delivered by the City at the time of issuance and delivery of any Series of Bonds, the interest on which is excluded from gross income for federal income tax purposes pursuant to a favorable opinion of such Bond Counsel, making certifications and representations of the City as to the status of such Bonds under the Code.

“*Tender Indebtedness*” means any Bonds or portions of Bonds a feature of which is an obligation on the part of the Bondholders, under the terms of such Bonds, to tender all or a portion of such Bonds to the City, the Trustee, the Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

“*Term Bonds*” means Bonds of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Indenture for such Series for that purpose and calculated to retire the Bonds on or before their specified maturity dates.

“*Trustee*” means the entity named as such in the heading of the Indenture until a successor replaces it and, thereafter, means such successor.

“*Unissued Program Bonds*” means the bonds, notes or other indebtedness authorized to be issued pursuant to a Program and payable from Net Revenues, issuable in an amount up to the Authorized Amount relating to such Program, which have been approved for issuance by the City pursuant to a resolution adopted by the Council and with respect to which Program various items described in the Indenture have been filed with the Trustee but which have not yet been authenticated and delivered pursuant to the Program documents.

“*United States Bankruptcy Code*” means Title 11 U.S.C., Section 101 *et seq.*, as amended or supplemented from time to time, or any successor federal act.

“*United States Obligations*” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian’s general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. “United States Obligations” will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

“*Wastewater Capital Reserve Fund*” means the “Wastewater Capital Reserve Fund” created by the City within the Wastewater Treatment Fund pursuant to the Indenture.

“*Wastewater Capital Reserve Fund Requirement*” means, as of any date of calculation, such minimum amount as will be established by the “Policy For Implementing The State Revolving Loan Fund For Construction Of Wastewater Treatment Facilities” pursuant to the State Loan.

“*Wastewater Treatment Fund*” means the “City of Bakersfield Wastewater Treatment Fund” established by the City and held and maintained by the City for the purpose of depositing all Revenues from the operation and use of the Enterprise, including any other moneys and funds not included in Revenues.

THE MASTER TRUST INDENTURE

In addition to certain information contained under the captions “THE SERIES 2015A BONDS,” and “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS” above, the following is a summary of certain provisions of the Master Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Indenture.

Grant to Secure Payment; Pledge of Net Revenues

To secure the payment of the principal and Accreted Value (as hereinafter defined) of, premium, if any, and interest on the Bonds and the performance and observance by the City of all the covenants, agreements and conditions expressed or implied herein or contained in the Bonds, the City pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the City in and to all of the following and provides that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the City (except as otherwise provided herein) in the following: (a) the Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Indenture, and to the extent provided in any Supplemental Indenture moneys and securities held in any Construction Fund whether or not held by the Trustee, (c) earnings on amounts included in provisions (a) and (b) of the Granting Clause (except to the extent excluded from the definition of “Revenues” by the Indenture), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security hereunder, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by the Granting Clause, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. Any Debt Service Reserve Fund and any Debt Service Reserve Fund Surety Policy, as hereinafter defined, provided at any time in satisfaction of all or a portion of the Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Bonds, a specific Series of Bonds or one or more Series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds, Series of Bonds or one or more Series of Bonds and, therefore, will not be included as security for all Bonds under the Indenture unless otherwise provided by a Supplemental Indenture and moneys and securities held in trust as provided in the Indenture exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under the Indenture will be held solely for the payment of such specific Bonds. Any amounts held in funds and

accounts created pursuant to the State Loan will not be included as security for any Bonds under the Indenture.

Issuance of Series of Bonds; Supplemental Indenture; Application of Bond Proceeds

Bonds may be issued, at one time or in a Series from time to time, subject to the conditions of this Section.

Each Series of Bonds will be dated, will mature, will bear interest, will be subject to redemption and will be amortized and, within a Program, will be issued and reissued from time to time, all as provided in the Supplemental Indenture relating to such Series of Bonds. In addition, each such Supplemental Indenture may provide for the appointment of a Registrar or Registrars and a Paying Agent or Paying Agents and such other agents as the City will determine to be necessary in addition to or in place of the Trustee.

Each Series of the Bonds, upon execution by the City, will be deposited with the Trustee or an agent for authentication and delivery, but prior to or simultaneously with the original delivery of such Series of Bonds or delivery of the first Bonds of a Program, there will be filed with the Trustee the following:

- (a) an original executed counterpart or a copy of the Indenture, together with all Supplemental Indentures;
- (b) an original executed counterpart or a copy of the Supplemental Indenture or Supplemental Indentures providing for the issuance of such Series of Bonds or creating a Program and setting forth the terms of such Series of Bonds or Program;
- (c) except with respect to the issuance of the Initial Bonds or any Refunding Bonds, a certificate of an Authorized City Representative listing those Projects or undertakings which the City expects to finance with proceeds of the sale of such Series of Bonds or Program or from which the City expects to select those Projects which will be financed with proceeds of the sale of such Series of Bonds or Program and such certificate will, with respect to each item on the list include an estimated cost of such facility or undertaking;
- (d) the certificate of the Authorized City Representative or the Consultant or Consultants, as the case may be, if required by “— Test for Issuance of Bonds” below;
- (e) a certificate of the Authorized City Representative stating that none of the Events of Default set forth below under “— Defaults and Remedies – Events of Default,” subsections (a), (b), (c), (e) and (f) of the Indenture have occurred and remain uncured and that the City is in full compliance with the terms of the Indenture and that the City is not in default of its payment obligations under the State Loan;
- (f) an opinion of Bond Counsel to the effect that the issuance of such Bonds has been duly authorized, that all legal conditions precedent to the delivery of such Bonds have been fulfilled, that the Bonds are valid and binding obligations of the City in accordance with their terms;
- (g) written instructions from the City to authenticate the Bonds and, upon receipt of the purchase price, to deliver the Bonds to or upon the order of the purchasers named in such instructions; and

(h) a copy of the resolution of the Council approving the issuance of Bonds of such Series, certified by the City Clerk.

When the documents mentioned in subsections (a) through (h) above have been filed with the Trustee and when such Bonds have been executed and authenticated, the Trustee or authenticating agent will deliver such Bonds to or upon the order of the purchasers thereof, but only upon payment by the purchasers of the purchase price of such Bonds.

Test for Issuance of Bonds

Subject to the provisions under subsection (A), (B) or (C) of the last paragraph of this Section and excepting the Initial Bonds, as a condition to the issuance of any Series of Bonds, there will first be delivered to the Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), prepared by an Authorized City Representative showing the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds or preceding the first issuance of the proposed Program Bonds were at least equal to 125% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Bonds, the State Loan, Unissued Program Bonds and the proposed Series of Bonds, calculated as if the proposed Series of Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding; or

(b) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such Bonds (both dates inclusive), prepared by a Consultant showing that:

(i) the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds or the establishment of a Program, were at least equal to 125% of the sum of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds and the State Loan for such applicable period;

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Bonds through and including the last Fiscal Year during any part of which interest on such Series of Bonds is expected to be paid from the proceeds thereof, the Consultant estimates that the City will be in compliance with subsections (a) and (b) under “— Revenues and Funds – Rate Covenant” below; and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Bonds during which no interest on such Series of Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Bonds, or (B) the third full Fiscal Year during which no interest on such Series of Bonds is expected to be paid from the proceeds thereof, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Bonds, the State Loan and Unissued Program Bonds

and calculated as if the proposed Series of Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding.

For purposes of subsections (b)(ii) and (iii) above, in estimating Net Revenues, the Consultant may take into account (1) Revenues from Projects or Enterprise operations reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the City and will be in effect during the period for which the estimates are provided, (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Costs, the Consultant will use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Operation and Maintenance Costs, (ii) Operation and Maintenance Costs associated with the Projects and any other new Enterprise facilities, and (iii) such other factors, including inflation and changing operations or policies of the City, as the Consultant believes to be appropriate. The Consultant will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and will also set forth the calculations of Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized City Representative may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized City Representative will certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described above under subsection (a) or (b) will be required:

(A) if the Bonds being issued are for the purpose of refunding then Outstanding Bonds and/or the State Loan and there is delivered to the Trustee, instead, a certificate of the Authorized City Representative showing that Aggregate Annual Debt Service on all Outstanding Bonds, the State Loan and Unissued Program Bonds after the issuance of such Refunding Bonds will not exceed the Aggregate Annual Debt Service prior to the issuance of such Refunding Bonds, for each Fiscal Year;

(B) if the Bonds being issued constitute Notes and there is delivered to the Trustee, instead, a certificate prepared by an Authorized City Representative showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Notes and there is delivered to the Trustee a certificate of an Authorized City Representative setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the City will be in compliance with subsections (a) and (b) under “— Revenues and Funds – Rate Covenant” below; or

(C) if the Bonds being issued are to pay costs of completing a Project for which Bonds have previously been issued and the principal amount of such Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Bonds originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized City Representative and there is delivered to

the Trustee (1) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (2) a certificate of an Authorized City Representative to the effect that (y) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (z) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Construction Fund established for the Project (including unspent proceeds of Bonds previously issued for such purpose).

Repayment Obligations Afforded Status of Bonds

If a Credit Provider or Liquidity Provider makes a payment of principal of and/or interest on a Bond or advances funds to purchase or provides for the purchase of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the City or pursuant to the terms of a Supplemental Indenture, but is not reimbursed, the City's Repayment Obligation under such written agreement or Supplemental Indenture provisions may, if so provided in the written agreement or Supplemental Indenture provisions, be afforded the status of a Bond issued under the Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Bondholder of such Bond, and such Bond will be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of "— Issuance of Series of Bonds; Supplemental Indenture; Application of Bond Proceeds" and " — Test for Issuance of Bonds" above, provided, however, notwithstanding the stated terms of the Repayment Obligation, the payment terms of the Bond held by the Credit Provider or Liquidity Provider under the Indenture will be as follows (unless otherwise provided in the written agreement with the City or a Supplemental Indenture pursuant to which the Bonds are issued): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Bonds or (B) if longer, the final maturity of the Repayment Obligation under the written agreement, and providing substantially level Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Repayment Obligation. This provision will not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Indenture. The Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Repayment Obligation is to be afforded the status of a Bond under the Indenture.

Obligations Under Qualified Swap; Non-Qualified Swap

(a) The obligation of the City to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series of Bonds may be on a parity with the obligation of the City to make payments with respect to such Series of Bonds and other Bonds under the Indenture, except as otherwise provided therein or in a Supplemental Indenture. The City may provide in any Supplemental Indenture that Regularly Scheduled Swap Payments under a Qualified Swap will be secured by a pledge of or lien on the Net Revenues on a parity with the Bonds of such Series and all other Bonds, regardless of the principal amount, if any, of the Bonds of such Series remaining Outstanding. The Trustee will take all action consistent with the other provisions hereof as will be requested in writing by the Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the City with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence will require the Trustee either to exercise the remedies granted in the Indenture or to institute any

action, suit or proceeding in its own name, the Qualified Swap Provider will provide to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

(b) In the event that a Swap Termination Payment or any other amounts other than as described in clause (a) above are due and payable by the City under a Qualified Swap, such Swap Termination Payment and any such other amounts will constitute a Subordinate Obligation hereunder.

(c) Obligations of the City to make payments, including termination payments, under a Non-Qualified Swap will, unless otherwise provided in a Supplemental Indenture, constitute obligations which are payable on a basis subordinate to the Bonds.

Revenues and Funds

Creation and Funding of Debt Service Funds. At the time of issuance of each Series of Bonds, the City will create or cause to be created, a Debt Service Fund for such Series, which Debt Service Fund will be held by the Trustee or any agent of the Trustee, and amounts to be used to pay principal of and interest on such Series, as received by the Trustee or its agent, will be deposited therein and used for such purpose. Accounts and subaccounts will be created in the various Debt Service Funds and will be held by the Trustee or such agents as will be provided by Supplemental Indenture.

The moneys in the Debt Service Fund will be held in trust and applied as provided in the Supplemental Indenture with regard to each such fund, and pending such application on the arrival of the Payment Date for such amounts will be subject to a lien on and security interest in favor of the holders of the Bonds issued and Outstanding under the Indenture.

The Trustee will, at least fifteen (15) Business Days prior to each Payment Date on any Bond, give the City notice by telephone, promptly confirmed in writing, of the amount, after taking into account Capitalized Interest, if any, on deposit in the Debt Service Fund, required to be deposited with the Trustee to make each required payment of principal and/or interest due on such Payment Date. With respect to any Series of Bonds, the Supplemental Indenture under which such Bonds are issued may provide for different times and methods of notifying the City of Payment Dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Indenture will control.

The City, at least five (5) Business Days prior to each Payment Date, will withdraw from the Wastewater Treatment Fund and pay to the Trustee the full amount required to make the interest and/or principal payments due on such Payment Date. With respect to any Series of Bonds, the Supplemental Indenture under which such Bonds are issued may provide for different times and methods of paying the interest and/or principal payments due on a Payment Date, and, in such event, the terms of such Supplemental Indenture will control.

On any day on which the Trustee receives funds from the City to be used to pay principal of or interest on the Bonds, the Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Debt Service Funds for the Series of Bonds for which such payments were made and any excess will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Trustee does not have sufficient amounts in the Debt Service Funds (without regard to any amounts which may be available from Debt Service Reserve Funds) to pay in full all amounts of principal and/or interest due on such date, the Trustee will allocate the total

amount which is available to make payment on such day (without regard to any amounts in the various Debt Service Reserve Funds) as follows: first to the payment of interest then due on the Bonds and, if the amount available will not be sufficient to pay in full all interest on the Bonds then due, then pro rata among the Series according to the amount of interest then due, and second to the payment of the principal of the Bonds then due and, if the amount available will not be sufficient to pay in full all principal of the Bonds then due, then pro rata among the Series according to the Principal Amount then due on the Bonds.

If a Debt Service Reserve Fund or Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on the Bonds secured thereby, then the City may be required by Supplemental Indenture to replenish such Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider from Net Revenues provided that (a) no amount from Net Revenues may be used for such purpose until all payments of principal of and interest on all Bonds which have become due and payable will have been paid in full, (b) the required payments to replenish any such Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider will be due over a 12 month period following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider exceeds the amount available for such purpose, the payments made to the Trustee for such purpose will be allocated among the various Debt Service Reserve Funds and any applicable Credit Provider pro rata on the basis of the Outstanding Principal Amount of Bonds secured thereby.

Notwithstanding the foregoing, the City may, in the Supplemental Indenture authorizing such Series of Bonds, provide for different provisions and timing of deposits with the Trustee and different methods of paying principal of or interest on such Bonds depending upon the terms of such Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Debt Service Fund created for the Series of Bonds for which such Credit Facility is provided.

If the Net Revenues are at any time insufficient to make the deposits required to make payments on the Bonds, the City may, at its election, pay to the Trustee funds from any available sources with the direction that such funds be deposited into the Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Additional Security. The pledge of Net Revenues and the other security provided in the Granting Clauses of the Indenture secure all Bonds issued under the terms of the Indenture, including Repayment Obligations constituting Bonds, on an equal and ratable basis, except as to the timing of such payments. The City may, however, in its discretion, provide additional security or credit enhancement for specified Bonds or Series of Bonds with no obligation to provide such additional security or credit enhancement to other Bonds.

Receipt, Deposit and Use of Revenues — Wastewater Treatment Fund.

(a) The City covenants and agrees to continue to maintain the Wastewater Treatment Fund. The City further covenants and agrees that all Revenues, when and as received, will be deposited by the City in the Wastewater Treatment Fund.

(b) As long as there are any Outstanding Bonds, all Revenues will be deposited in the Wastewater Treatment Fund and will be set aside for the payment of the following amounts or deposited or transferred to the following funds and subaccounts in the order listed:

(i) Operation and Maintenance Subaccount. A sufficient amount of Revenues, from time to time, as set forth in the budget of the City for such Fiscal Year as finally approved by the City will be deposited in the Operation and Maintenance

Subaccount. In the event that the balance in the Operation and Maintenance Subaccount at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments will immediately be deposited in the Operation and Maintenance Subaccount from the Wastewater Treatment Fund.

(ii) Debt Service Funds and Payment of State Loan. A sufficient amount of Revenues will be transferred by the City, without priority and on an equal basis, except as to timing of payment, to the Trustee and the State in the amounts, at the times and in the manner provided in the Indenture and the State Loan to provide for the payment of the principal of and interest to become due on the Outstanding Bonds and the State Loan.

(iii) Debt Service Reserve Funds. A sufficient amount of Revenues will be transferred by the City, without priority and on an equal basis, except as to timing of payment to the Debt Service Reserve Funds, if any, at the times and in such amounts as specified in a Supplemental Indenture to be used in the manner provided in the Indenture.

(iv) Subordinate Obligation Debt Service. A sufficient amount of Revenues will be transferred by the City from time to time, as will be necessary to make all payments and deposits required to be made on all Subordinate Obligations, but only to the extent (except as otherwise provided in the Indenture) a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness.

(v) Subordinate Obligation Debt Service Reserve Funds. Upon any deficiency in any debt service reserve fund established by or for the benefit of the City in connection with any Subordinate Obligations, the City will deposit in such debt service reserve fund, at such times and in such amounts as are sufficient to replenish withdrawals from such debt service reserve fund; and the full amount of any deficiency in such debt service reserve fund due to any required valuations of the investments in such debt service reserve fund until the balance in such debt service reserve fund is at least equal to the debt service reserve requirement with respect to such Subordinate Obligations, but only to the extent a specific pledge of Net Revenues has been made in writing to the payment of any such debt service reserve requirement on such indebtedness.

(vi) Wastewater Capital Reserve Fund. A sufficient amount of Revenues will be deposited, from time to time, to the Wastewater Capital Reserve Fund, such that the balance in the Wastewater Capital Reserve Fund equals the Wastewater Capital Reserve Fund Requirement.

(vii) Rate Stabilization Fund. At the option of the City, Net Revenues may be transferred to the Rate Stabilization Fund to be used for the purposes stated in the Indenture.

(c) In the event that during a Fiscal Year there is on deposit in the Wastewater Treatment Fund amounts not needed to satisfy the funding requirements set forth in subsection (b) above, the City may withdraw such amounts as its sole property to be used for any lawful purpose of the Enterprise.

Creation, Use and Application of Rate Stabilization Fund. The City may create and maintain a separate fund within the Wastewater Treatment Fund to be designated as the “Rate Stabilization Fund.” Moneys on deposit in the Rate Stabilization Fund may be withdrawn at any time and used for any purpose for which Revenues may be used. Amounts on deposit in the Rate Stabilization Fund, which do not

constitute current year Revenues, may be included in the computations required pursuant to subsection (b) of “— Revenues and Funds – Rate Covenant” below.

Payment of Principal and Interest. The City covenants and agrees that it will duly and punctually pay or cause to be paid from the Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner specified in the Indenture, the Supplemental Indentures and in the Bonds, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements contained in the Indenture and in the Bonds, provided that the City’s obligation to make payment of the principal of, premium, if any, and interest on the Bonds will be limited to payment from the Net Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Indenture and any other source which the City may specifically provide for such purpose and no Bondholder will have any right to enforce payment from any other funds of the City.

Rate Covenant. The City covenants to fulfill the following requirements:

(a) The City will, while any of the Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the City as of the date of execution of the Indenture setting forth restrictions relating thereto), fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year, with the approval of the Council with respect to rates, which are at least sufficient, after making allowances for contingencies and errors in the estimates, to yield Net Revenues sufficient to pay the following amounts in the following order of priority:

(i) the Aggregate Annual Debt Service on any Outstanding Bonds and the payments due under the State Loan required to be funded by the City in such Fiscal Year as required by the Indenture or any Supplemental Indenture with respect to the Outstanding Bonds, and the State Loan;

(ii) the required deposits to any Debt Service Reserve Fund which may be established by a Supplemental Indenture

(iii) the reimbursement owed to any Credit Provider or Liquidity Provider as required by a Supplemental Indenture and the related Credit Facility and/or Liquidity Facility, and any Debt Service Reserve Fund Surety Policy;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Bonds, but including Subordinate Obligations;

(v) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, but including Subordinate Obligations; and

(vi) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Revenues during such Fiscal Year.

(b) The City further agrees that it will establish, fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise, so that during each Fiscal Year the Net Revenues, together with any amounts released from the Rate Stabilization Fund, will be equal to at least 125% of Aggregate Annual Debt Service on the

Outstanding Bonds and the State Loan. For purposes of this subsection (b), the amount of moneys on deposit in the Rate Stabilization Fund taken into account and considered Net Revenues for purposes of the calculation set forth in the Indenture will not exceed 25% of the Aggregate Annual Debt Service on the Outstanding Bonds and the State Loan in such Fiscal Year.

(c) The City covenants that if Net Revenues in any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, the City will retain and direct a Consultant to make recommendations as to the revision of the City's wastewater business operations and its schedule of rates, fees and charges for the services and facilities furnished by the Enterprise, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the City will take all lawful measures to revise the schedule of rates, fees and charges for the services and facilities furnished by the Enterprise as may be necessary to produce Net Revenues, after taking into account any permitted amounts on deposit in the Rate Stabilization Fund in accordance with paragraph (b) above, in the amount specified in paragraphs (a) and (b) above in the next succeeding Fiscal Year.

(d) In the event that Net Revenues for any Fiscal Year are less than the amount specified in paragraph (a) or (b) above, but the City promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rates, fees and charges for the services and facilities furnished by the Enterprise as required by paragraph (c) above, such deficiency in Net Revenues will not constitute an Event of Default under the provisions of paragraph (d) under "— Defaults and Remedies – Events of Default" below. Nevertheless, if after taking the measures required by paragraph (c) above to revise the schedule of rates, fees and charges for the services and facilities furnished by the Enterprise, Net Revenues in the second succeeding Fiscal Year (as evidenced by the audited financial statements of the City for such Fiscal Year) are less than the amount specified in paragraphs (a) and (b) above, such deficiency in Net Revenues will constitute an Event of Default.

Subordinate Obligations. The City may, from time to time, incur indebtedness which is subordinate to the lien of the Bonds, and which indebtedness is, in the Indenture, referred to as Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the City will determine; provided that:

(a) any Supplemental Indenture authorizing the issuance of any Subordinate Obligations will specifically state that such lien on or security interest granted in the Net Revenues is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Bonds;

(b) payment of principal of and interest on such Subordinate Obligations will be permitted; provided that all deposits required to be made pursuant to the Indenture are then current in accordance therewith; and

(c) such obligations, if a default in payment, may not be accelerated if any Bonds are outstanding.

Operation and Maintenance of the Enterprise. The City covenants that the Enterprise will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the City will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of

the Enterprise will be obtained and maintained and that all necessary repairs, improvements and replacements of the Enterprise will be made, subject to sound business judgment. The City will maintain the Enterprise in efficient operating condition and make such improvements, extension, enlargements, repairs and betterments to the Enterprise as may be necessary or advisable for its economical and efficient operation at all times and to supply reasonable public and private demands for Enterprise services within the Service Area. The City will employ experienced and competent personnel to manage the Enterprise. The City will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the City, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Enterprise or upon any part thereof, or upon the Revenues or Net Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues or Net Revenues or the Enterprise or any part thereof constituting part of the Enterprise.

Accounts. The City covenants that it will keep and provide accurate books and records of account showing all Revenues received and all expenditures of the City and that it will keep or cause to be kept accurate books and records of account showing all moneys, Revenues, accounts and funds (including the Wastewater Treatment Fund and all funds and accounts provided for in the Indenture) which are or will be in the control or custody of the City; and that all such books and records pertaining to the Enterprise will be open upon reasonable notice during business hours to the Trustee, the Credit Provider, the Liquidity Provider and to the Owners of not less than 10% of the Principal Amount of Bonds then Outstanding, or their representatives duly authorized in writing. Within 270 days after the close of each Fiscal Year, so long as any of the Bonds remain Outstanding, the City will prepare audited financial statements including a statement of the income and expenses for such Fiscal Year and a balance sheet prepared as of the close of such Fiscal Year for the City all accompanied by a certificate or opinion in writing of an independent certified public accountant of recognized standing, selected by the City, which opinion will include a statement that said financial statements present fairly in all material respects the financial position of the City and are prepared in accordance with generally accepted accounting principles.

Insurance; Application of Insurance Proceeds

(a) Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(i) the City will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self-Insurance with respect to the facilities constituting the Enterprise and public liability insurance in the form of commercial insurance or Qualified Self-Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the City, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar municipal wastewater systems; and

(ii) the City will send written notice to the Trustee, annually within 120 days after the close of each Fiscal Year, of any change in its insurance policies and self-insured programs then in effect with respect to the Enterprise and the operations of the City.

(b) “Qualified Self-Insurance” will mean insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the City may have a material interest and of which the City may have control, either singly or with others.

Each plan of Qualified Self-Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the City determines to be reasonable to protect against risks assumed under the Qualified Self-Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self-Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the City a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, it will make a recommendation as to the amount of reserves that should be established and maintained, and the City will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the City.

If, as a result of any event, any part of the Enterprise is destroyed or severely damaged, the City will create within the Wastewater Treatment Fund a special account and will credit the net proceeds received as a result of such event of damage or destruction to such account and such net proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Enterprise, or portion thereof, which was damaged or destroyed, (ii) provide additional revenue-producing projects of the Enterprise, (iii) redeem Bonds, or (iv) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Indenture; provided, however, that the City will first deliver to the Trustee a certificate of a Consultant showing that, after taking into account the use of the net proceeds for the redemption of such specified Bonds, the test set forth in subsection (a) of “— Revenues and Funds – Rate Covenant” above would, nevertheless, be met.

Investments

Moneys held by the City and/or the Trustee in the funds and accounts created and/or maintained in the Indenture and under any Supplemental Indenture will be invested and reinvested as directed by the City, in Permitted Investments subject to the restrictions set forth in the Indenture and such Supplemental Indenture and subject to the investment restrictions imposed upon the City by the laws of the State and the City’s investment policy. The City will direct such investments by written certificate (which certificate will include a certification that such directions comply with the City’s investment policy and upon which the Trustee may conclusively rely) of an Authorized City Representative or by telephone instruction followed by prompt written confirmation by an Authorized City Representative; in the absence of any such instructions, the Trustee will, to the extent practicable, invest in Permitted Investments specified in item (i) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account of the Trustee, provided it meets the requirements specified in (i) of the definition of Permitted Investments, which are Permitted Investments under State law.

The Trustee will not be liable for any loss resulting from following the written directions of the City or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Permitted Investment is held.

The Trustee may buy or sell any Permitted Investment through its own (or any of its affiliates) investment department.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or such other applicable regulatory entity grants the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent

permitted by law. The Trustee will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Defeasance

Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Indenture except for the purposes of payment from moneys, Government Obligations or obligations described in item (b) of the definition of Permitted Investments held by the Trustee or a Paying Agent for such purpose. When all Bonds which have been issued under the Indenture and all Repayment Obligations have been paid in full or are deemed to have been paid in full, and all other sums payable thereunder by the City, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar, the Paying Agent, each Credit Provider and each Liquidity Provider, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the pledge of Net Revenues and the other assets pledged to secure the Bonds under the Indenture will thereupon cease, terminate and become void, and thereupon the Trustee will cancel, discharge and release the Indenture, will execute, acknowledge and deliver to the City such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the City any property and revenues at the time subject to the Indenture which may then be in the Trustee's possession, except funds or securities in which such funds are invested and are held by the Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond will be deemed to be paid under this Section and for all purposes of the Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Bonds and the Indenture or (b) will have been provided for, as certified to the Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations or obligations described in item (b) of the definition of Permitted Investments, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Bonds will be deemed to be paid under the Indenture, such Bonds will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of payment from such moneys, Government Obligations or obligations described in item (b) of the definition of Permitted Investments.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Bonds. Once such deposit will have been made, the Trustee will notify all holders of the affected Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section. Notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Indenture under which such Bonds were issued. The City may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Indenture under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Bonds or the Indenture subject to (A) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Bond or Bonds then Outstanding and (B) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations and/or obligations described in item (b) of the definition of Permitted Investments to provide for the payment of such Bonds. Notwithstanding anything in this Section to the contrary, moneys from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the City so long as the requirements of subparagraphs (A) and (B) above are met prior to or concurrently with any such withdrawal.

In connection with the redemption or defeasance, or partial redemption or defeasance of Bonds, the City may permit, or cause to be assigned to Bonds of a single maturity, multiple CUSIP numbers.

Defaults and Remedies

Events of Default. Each of the following events will constitute and is referred to in the Indenture as an “Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest will become due and payable;

(c) a failure to pay the purchase price of any Bond when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Indenture;

(d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above that are to be observed or performed by the City and which are contained in the Indenture or a Supplemental Indenture, which failure, except for a violation under “— Revenues and Funds – Rate Covenant” above which will be controlled by the provisions set forth therein, will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the City by the Trustee, which notice may be given at the discretion of the Trustee and will be given at the written request of holders of 25% or more of the Principal Amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and the holders of Bonds in a Principal Amount not less than the Principal Amount of Bonds the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Bonds will be deemed to have agreed to an extension of such period if corrective action is initiated by the City within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the City and, if instituted against the City, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) a default in the payment of the State Loan.

If, on any date on which payment of principal of or interest on the Bonds is due and sufficient moneys are not on deposit with the Trustee or Paying Agent to make such payment, the Trustee will give telephone notice of such insufficiency to the City.

Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the City to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Indenture;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Trustee will be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

(c) Except as otherwise provided in a Supplemental Indenture or such other agreement between the City and a Credit Provider or Liquidity Provider, in no event, upon the occurrence and continuation of an Event of Default described in Section 8.01 of the Master Indenture, will the Trustee, the Bondholders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Bonds Outstanding.

Bondholders' Right To Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, holders of a majority in Principal Amount of the Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Indenture to be taken in connection with the enforcement of the terms of the Indenture or exercising any trust or power conferred on the Trustee by the Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Indenture and that there will have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Limitation on Right To Institute Proceedings. No Bondholder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Indenture, or any other remedy thereunder or on such Bonds, unless such Bondholder or Bondholders previously will have given to the Trustee written notice of an Event of Default as described above provided and unless also holders of 25% or more of the Principal Amount of the Bonds then Outstanding will have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under “— Defaults and Remedies – Remedies” above will have accrued, and will have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder or under the Bonds, except in the manner provided in the Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided for in the Indenture and for the equal benefit of all Bondholders.

Application of Moneys. If an Event of Default will occur and be continuing, all amounts then held or any moneys received by the Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of the Indenture (which will not include moneys provided through a Credit Facility or a remarketing of the Bonds, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys by the Trustee or by any receiver and of the expenses, liabilities and advances incurred or made by the Trustee in connection with its performance of its powers and duties under the Indenture and any Supplemental Indenture (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds which will have become due with interest on such Bonds at such rate as provided in a Supplemental Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys will be applied at such times, and from time to time, as the Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee will apply such funds, it will fix the date (which will be an interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and will not be required to make payment to any Bondholder until such Bonds will be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Trustee, Paying Agent and Co-Paying Agents; Registrar

Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Trustee will perform the duties set forth in the Indenture and no implied duties or obligations will be read into the Indenture against the Trustee.

(c) Except during the continuance of an Event of Default, in the absence of any negligence on its part or any knowledge to the contrary, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. However, the Trustee will examine the certificates and opinions to determine whether they conform to the requirements of the Indenture.

(d) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Trustee was negligent in ascertaining the pertinent facts; and

(ii) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the City in the manner provided in the Indenture.

(e) The Trustee will not, by any provision of the Indenture be required, other than for drawings under the Liquidity Facility making payments to Bondholders from available funds, effecting any mandatory tenders, redemption or accelerations, to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the Bonds or any Credit Provider or Liquidity Provider, unless such holders, Credit Providers and Liquidity Providers, as applicable, will have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) Every provision of the Indenture that in any way relates to the Trustee is subject to all the paragraphs of this Section.

Rights of Trustee. Subject to the above Section, the Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile, request, consent, waiver, certificate, direction, statement, affidavit, voucher, bond, requisition or other paper or document which it will in good faith believe to be genuine and to have been passed or signed by the proper authority or person or to have been prepared and furnished pursuant to any of the provisions of the Indenture, and the Trustee will be under no duty to make investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may rely upon the calculations provided by the entity preparing the calculation of Aggregate Annual Debt Service in connection with its responsibility to ensure there exists in the Debt Service Reserve Funds the required amounts.

The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Indenture in good faith in accordance therewith.

Whenever in the administration of the trusts or duties imposed upon it by the Indenture the Trustee will deem it necessary that a matter be proved or established prior to taking or not taking any action thereunder, such matter may be deemed to be conclusively proved and established by a certificate of the City, and such certificate will be full warrant to the Trustee for any action taken or not taken by it in good faith under the provisions of the Indenture in reliance on such certificate.

The Trustee makes no representation as to the sufficiency or validity of the Indenture or of any Bonds, or in respect of the security afforded by the Indenture.

The Trustee will not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it under the Indenture, except for its own negligence or willful misconduct.

In the performance of its duties under the Indenture, the Trustee may employ attorneys, agents and receivers and will not be liable for any actions of such attorneys, agents and receivers to the extent selected by it with reasonable care.

The Trustee will have no responsibility with respect to any information, statement or recital whatsoever in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the City with the same rights it would have if it were not Trustee. Any Paying Agent or other agent may do the same with like rights.

Notice of Defaults. If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the City is required before such events will become Events of Default, such notice has been given, then the Trustee will promptly, after obtaining actual notice of such Event of Default or event described in (b) above, give notice thereof to each Bondholder. Except in the case of a default in payment or purchase on any Bonds, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Eligibility of Trustee. The Indenture will always have a Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Trustee. The Trustee may resign by notifying the City in writing prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the City's consent. The City may remove the Trustee, by notice in writing delivered to the Trustee at least 60 days prior to the proposed removal date; provided, however, that the City will have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Trustee under this Section will be effective until a new Trustee has taken office and delivered a written acceptance of its appointment to the retiring Trustee and to the City. Immediately thereafter, the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee will then (but only then) become effective and the successor Trustee will have all the rights, powers and duties of the Trustee under the Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Indenture, the City will promptly appoint a successor Trustee.

If a Trustee is not performing its duties under the Indenture and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the City delivers notice of removal, the retiring Trustee, the City or the holders of a majority in Principal Amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Modification of the Indenture

Supplemental Indentures Not Requiring Consent of Bondholders. The City may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Indentures supplementing and/or amending the Indenture or any Supplemental Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of “ — Issuance of Series of Bonds; Supplemental Indenture; Application of Bond Proceeds” above of the Indenture and to set forth the terms of such Bonds and the special provisions which will apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Indenture or any Supplemental Trust Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the City in the Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the City, provided such supplement or amendment will not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the pledge of Net Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the City provided pursuant to the Indenture or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Indenture at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement the Indenture or any Supplemental Indenture in any other respect which is not materially adverse to the Bondholders;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series of Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the City from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series of Bonds; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Bonds, including, without limitation, the segregation of Revenues into different funds.

Before the City will, pursuant to this Section, execute any Supplemental Indenture, there will have been delivered to the City and Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture: (y) is authorized or permitted by the Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms and (z) will not cause interest on any of the Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel required pursuant to clause (z) in the preceding sentence will not be required for a Supplemental Indenture executed and delivered in accordance with the Indenture.

Supplemental Indenture Requiring Consent of Bondholders.

(a) Except for any Supplemental Indenture entered into pursuant to the Indenture, the holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding will have the right from time to time to consent to and approve the execution by the City of any Supplemental Indenture deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in a Supplemental Indenture; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds and the following subsection (b) is applicable, nothing contained in the Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing contained in the Indenture, including the provisions of paragraph (b) below, will, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Indenture) upon or pledge of the Net Revenues created by the Indenture, ranking prior to or on a parity with the claim created by the Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to the security granted therefor under the Granting Clauses of the Indenture, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture.

(b) The City may, from time to time and at any time, execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a Series or multiple Series of Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in the Indenture, no notice to or consent of the Bondholders will be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding, is not applicable, then this subsection (b) rather than subsection (a) above will control and, subject to the terms and provisions contained in this subsection (b), the holders of not less than 51% in aggregate Principal Amount of the Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series

then Outstanding, in the Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing in the Indenture will be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Indenture for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

(c) If at any time the City will desire to enter into any Supplemental Indenture for any of the purposes of this Section, the City will cause notice of the proposed execution of the Supplemental Indenture to be given by Mail to all Bondholders or, under paragraph (b) above, all Bondholders of the affected Series. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that a copy thereof is on file at the office of the City for inspection by all Bondholders and it will not be required that the Bondholders approve the final form of such Supplemental Indenture but it will be sufficient if such Bondholders approve the substance thereof.

(d) The City may execute and deliver such Supplemental Indenture in substantially the form described in such notice, but only if there will have first been delivered to the City (i) the required consents, in writing, of Bondholders and (ii) the opinion of Bond Counsel required under the Indenture.

(e) If Bondholders of not less than the percentage of Bonds required by this Section will have consented to and approved the execution and delivery thereof as provided in the Indenture, no Bondholders will have any right to object to the adoption of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the City from executing the same or from taking any action pursuant to the provisions thereof.

(f) Notwithstanding subsections (c) through (e) above, the City may, at its discretion, execute and deliver such Supplemental Indenture which contains such modifications, alterations, amendments or supplements prior to receipt of the required consents in writing, of the Bondholders; provided, that such Supplemental Indenture or the applicable provisions of such Supplemental Indenture subject to the consents of the Bondholders will not become effective until such time as there has been delivered to the City (i) the required consents, in writing, of Bondholders and (ii) the opinion of Bond Counsel. In the event the City decides to execute and deliver a Supplemental Indenture in accordance with this subsection (f), the notice required in subsection (c) will make reference to a final and executed Supplemental Indenture as opposed to a proposed Supplemental Indenture.

Credit Providers

If a Credit Facility is provided for a Series of Bonds or for specific Bonds, the City may in the Supplemental Indenture under which such Bonds are issued, provide any or all of the following rights to the Credit Provider as the City will deem to be appropriate:

(a) the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings all as provided in the Indenture to the same extent and in place of the Owners of the Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the holder of such Bonds;

(b) the right to act in place of the Owners of the Bonds which are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee under the Indenture; and

(c) the right to consent to Supplemental Indentures to the same extent and in place of the holders of the Bonds, which require the consent of the holders of not less than 51% of the aggregate Principal Amount of the Bonds, entered into pursuant to “— Modification of the Indenture – Supplemental Indenture Requiring Consent Bondholders,” except with respect to any amendments described in subsections (a)(i) through (v) in “— Modification of the Indenture – Supplemental Indenture Requiring Consent Bondholders,” and subsections (b)(i) or (ii) in “— Modification of the Indenture – Supplemental Indenture Requiring Consent Bondholders,” which consent of the actual Bondholders will still be required, of the Indenture to the same extent and in place of the holders of the Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the holder of such Bonds.

The rights granted to any such Credit Provider, with respect to the provisions of the Indenture will be disregarded and be of no effect if the Credit Provider is in default of its payment obligations under its Credit Facility

FOURTH SUPPLEMENTAL TRUST INDENTURE

In addition to certain information contained under the captions “THE SERIES 2015A BONDS” and “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015A BONDS,” the following is a summary of certain provisions of the Fourth Supplemental Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Fourth Supplemental Indenture.

Terms of the Series 2015A Bonds

The Fourth Supplemental Indenture sets forth the terms of the Series 2015A Bonds, most of which terms are described earlier in this Official Statement under “THE SERIES 2015A BONDS.”

Establishment of Funds

The Fourth Supplemental Indenture establishes the following funds and accounts: the Series 2015A Debt Service Fund (the “Series 2015A Debt Service Fund”) and therein an Interest Account, a Principal Account and a Redemption Account; the Series 2015A Rebate Fund (the “Series 2015A Rebate Fund”) and therein an Earnings Account; and, the Series 2015A Costs of Issuance Fund.

The 2015A Costs of Issuance Fund will be funded by the proceeds of the sale of the Series 2015A Bonds as described earlier in the Official Statement under “ESTIMATED SOURCES AND USES OF FUNDS.”

Series 2015A Debt Service Fund. The Trustee will deposit into the Interest Account amounts received from the City pursuant to the Master Indenture to be used to pay interest on the Series 2015A Bonds. The Trustee will also deposit into the Interest Account any other amounts deposited with the Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. All amounts held at any time in the Interest Account will be held on a priority basis for the ratable security and payment of interest due on the Series 2015A Bonds in accordance with their terms and amounts due and payable by the City under any interest rate swap agreement entered into by the City

with respect to all or a portion of the Series 2015A Bonds (other than any swap termination payments and any other amounts payable thereunder which are payable and secured by a lien on Net Revenues ranking junior and subordinate to the lien of the Bonds) at any time in proportion to the amounts due or accrued with respect to each of them. Earnings on the Interest Account will be retained in such account.

The Trustee will deposit into the Principal Account amounts received from the City pursuant to the Master Indenture to be used to pay principal of the Series 2015A Bonds at maturity. The Trustee will also deposit into the Principal Account any other amounts deposited with the Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. On or about July 15 of each Fiscal Year, earnings on the Principal Account will be withdrawn by the Trustee and paid to the City for deposit into the Wastewater Treatment Fund unless an Event of Default exists under the Master Indenture, in which event the earnings will be retained in such account.

The Trustee will deposit into the Redemption Account amounts received from the City or from other sources to be used to pay the principal of, interest and premium, if any, on Series 2015A Bonds that are to be redeemed in advance of their maturity. Earnings on amounts from time to time deposited into the Redemption Account will be retained in such account or paid to the City for deposit into the Wastewater Treatment Fund in accordance with instructions given to the Trustee by an Authorized City Representative at the time of such deposit.

The Series 2015A Debt Service Fund will be invested and reinvested as directed by the City in Permitted Investments.

Tax Covenants

Series 2015A Rebate Fund. The City hereby agrees that it will enter into the Tax Certificate and will, pursuant to this Fourth Supplemental Indenture, create the Series 2015A Rebate Fund, which fund will be funded if so required under the Tax Certificate and amounts in such Series 2015A Rebate Fund will be held and disbursed in accordance with the Tax Certificate.

Preservation of Tax Exemption.

(a) The City will comply with those covenants and agreements set forth in the Tax Certificate.

(b) The City will not use or permit the use of any proceeds of Series 2015A Bonds or any other funds of the City held by the Trustee under the Fourth Supplemental Indenture, allocable to the Series 2015A Bonds, directly or indirectly, to acquire any securities or obligations, and will not use or permit the use of any amounts received by the City or the Trustee with respect to the Series 2015A Bonds in any manner, and will not take or permit to be taken any other action or actions, which would cause any Series 2015A Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code or an “arbitrage bond” within the meaning of Section 148 of the Code and applicable regulations promulgated from time to time thereunder and under Section 103(c) of the Code. The City will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. In the event the City is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Trustee or to use such money in certain manners, in order to avoid the Series 2015A Bonds from being considered “arbitrage bonds” within the meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the Series 2015A Bonds at such time, the City will issue to the Trustee a certificate to such effect together with appropriate instructions, in which event the Trustee will take such action as it is directed to take to use such money in accordance with such certificate and instructions, irrespective of whether the Trustee shares such opinion.

(c) The City will at all times do and perform all acts and things permitted by law and the Fourth Supplemental Indenture which are necessary or desirable in order to assure that interest paid on the Series 2015A Bonds will not be included in gross income for federal income tax purposes and will take no action that would result in such interest being included in gross income for federal income tax purposes.

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APPENDIX B

CITY OF BAKERSFIELD ECONOMIC, FINANCIAL, AND DEMOGRAPHIC INFORMATION

General

The City of Bakersfield (the “City”) is located in Kern County, California (the “County”), at the southern end of the San Joaquin Valley, approximately 110 miles north of Los Angeles and 290 miles south of San Francisco. The City includes over 150 square miles of land and an additional 162 square miles of land area is located within the City’s sphere of influence.

The City is a regional center for industry, government, transportation, retail trade, medical services, and oil field operations. Major manufacturing activities include iron and steel fabrication, plastic foam products, food products, petroleum refining, and textiles. Bakersfield is one of the leading convention centers in the state and is the commercial hub of the County. As the County seat, it is the location of many county, state, and federal offices.

The metropolitan area has expanded considerably beyond the City limits. As of January 1, 2015, the estimated population of the County was 874,264 and the estimated population of the City was 369,505, according to the California Department of Finance.

City Government

The City was incorporated on January 11, 1898, under the general laws of the State. The City is a charter city with a council/manager form of government. The City Council is comprised of seven council members, elected by ward on a staggered basis for a term of four years. The mayor is directly elected for a four-year term. The council appoints the City Attorney and the City Manager. There are approximately 1,541 approved City employee positions, including 211 general government employees, 324 public works employees, 177 firefighters, 22 civilians who work in fire protection, 403 police officers, 147 civilians who work with the police department, 107 employees who work in refuse collection, and 150 employees who work with community services.

Revenues, Expenditures, and Fund Balances

The accounting records of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Funds are grouped into governmental funds, proprietary funds, and fiduciary funds. The governmental funds include (a) the General Fund of the City, (b) special revenue funds, which are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation, (c) debt service funds, which are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs, and (d) capital projects funds, which are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed primarily through user charges. The proprietary funds include (i) enterprise funds, which are used to account for operations that provide goods or services to the general public on a continuing basis and are financed primarily through user charges, and (ii) internal service funds, which are used to account for the financing of goods or services provided by one department of the City to other departments on a cost reimbursement basis.

The fiduciary funds include trust and agency funds, which are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental

units or other funds. They include the pension trust fund and agency funds. Account groups record fixed assets used in governmental type operations and long-term liabilities expected to be financed from governmental funds.

All governmental fund types and agency funds are accounted for using the modified-accrual basis of accounting. Under the modified-accrual basis, revenues are recognized when they become measurable and expenditures are recognized when materials and services are received. Taxpayer-assessed income, gross receipts, and sales taxes are considered “measurable” when in the hands of intermediary collecting governments and are therefore recognized as revenue at that time. Property taxes are recognized as revenue in the fiscal year during which they are levied, adjusted for amounts considered to be collectible more than 60 days beyond the fiscal year-end or ultimately uncollectible.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified-accrual basis of accounting when the related fund liability is incurred. An exception is interest on general long-term debt, which is not accrued but is expensed when due. Proceeds from issuance of long-term debt are recognized as other financing sources when received and repayments are recognized as expenditures when due.

All proprietary fund types and pension trust funds are accounted for using the accrual basis of accounting. The revenues of these funds are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled service revenues, which are not significant, are not recognized as revenues.

The City Charter requires an annual audit of the books of account, financial records, and transactions of the City by an independent certified public accountant selected by the City Council. See also “APPENDIX C – City of Bakersfield Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014.”

Budgetary Process

The fiscal year of the City begins on the first day of July of each year and ends on the 30th day of June of the following year (each, a “Fiscal Year”). At such date as the City Manager determines, each department head must furnish to the City Manager an estimate of revenues and expenditures for such department for the ensuing Fiscal Year, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences thereon with the respective department heads, and revises the estimates as he deems advisable.

At least 30 days prior to the beginning of each Fiscal Year, the City Manager submits to the City Council the proposed operating budget for the Fiscal Year. The operating budget includes proposed expenditures and the means of financing them. After reviewing and making such revisions as it deems advisable, the City Council, upon recommendation by the City Manager, sets the time for the holding of a public hearing thereon, and the City Manager causes to be published a notice thereof not less than 10 days prior to the hearing date. Copies of the proposed budget are available for inspection by the public in the office of the City Clerk at least 10 days prior to the hearing.

At the conclusion of the public hearing, the City Council further considers the proposed budget and makes any revision thereof that it deems advisable. On or before June 30, the City Council adopts the

budget with revisions, if any, through the passage of a resolution. Budgets are adopted for all governmental fund types and are prepared on a basis consistent with generally accepted accounting principles.

From the effective date of the budget, the several amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer budgeted amounts between departments within any fund and approve reductions of budgeted amounts. All appropriations lapse at the end of the Fiscal Year to the extent that they have not been expended or lawfully encumbered. Encumbered amounts are reappropriated in the following Fiscal Year budget.

At any City Council meeting after the adoption of the budget, the City Council may amend or supplement the budget by the affirmative vote of the City Council.

The City Council employs, at the beginning of each Fiscal Year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle, or disburse public funds and of all such other officers, employees, or departments as the City Council may direct. As soon as practicable after the end of the Fiscal Year, a final audit and report is submitted by such accountant to the City Council and certain City officers and made available for public inspection, and a copy of the financial statements as of the close of the Fiscal Year is published.

Budgetary Controls

The City employs budgetary controls to ensure compliance with legal provisions applicable to 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 City's Fiscal Year 2014-15 appropriations limit established as required by State statute is \$328,495,244. For a discussion of the City's budgetary controls, see "APPENDIX C – City of Bakersfield Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014."

Investment Policy of the City

The City Council annually adopts and approves a policy with respect to the investment activities of the City and its related entities. Idle cash in all funds is pooled for investment purposes except tax-exempt bond proceeds, which are separated for arbitrage record keeping as required by federal tax law, and the Fireman's Relief and Pension Fund, which is administered separately by the City. The investment policy is intended to provide guidelines for the prudent investment of the City's temporary idle cash, and outline the policies for maximizing the efficiency of the City's cash management system. The ultimate goal is to enhance the economic status of the City while protecting the safety of its financial assets. The City's present investment policy (the "Investment Policy"), which was adopted by the City Council on December 10, 2014, is summarized below:

Introduction. The Investment Policy is intended to provide guidelines for the prudent investment of the City's temporary idle cash, and outline the policies for maximizing the efficiency of the City's cash management system. It is the policy of the City to invest public funds in a manner which will provide

safety of principal and at least a market rate of return while meeting the daily cash flow demands of the City. Investments will conform to all statutes governing the investment of public funds.

The primary goals of the Investment Policy are:

- To assure compliance with all federal, State and local laws governing the investment of public funds under the control of the City Treasurer.
- To maintain the principal value of financial assets and ensure ample liquidity to meet operating expenditures.
- Within the constraints of safety and liquidity, and within the parameters of the Investment Policy, generate a market rate of return.

The ultimate goal is to enhance the economic status of the City while protecting the safety of its financial assets.

Scope. The Investment Policy applies to the investment activities of the City and related entities. Idle cash in all funds is pooled for investment purposes except tax exempt bond proceeds, which are separated for arbitrage record keeping as required by federal tax law, and the Firemen’s Disability and Retirement Fund, which is administered separately under the City of Bakersfield Municipal Code Section 2.92. Other Post-Employment Benefits (OPEB) are administered by a separate investment policy per Resolution 008-07.

Investments made on a pooled basis include moneys of the City, the Agency, and the Authority. The pooled funds are accounted for in the City’s Comprehensive Annual Financial Report (“CAFR”) and include:

- 0XX General Funds
 - 1XX Special Revenue Funds
 - 2XX Debt Service Funds
 - 3XX Capital Project Funds
 - 4XX Enterprise Funds
 - 5XX Internal Service Funds
 - 6XX Fiduciary-Agency Funds
- Any new fund created, unless specifically exempted.

All debt issue proceeds will be invested in accordance with the associated trust indenture, and in such a manner that facilitates arbitrage rebate calculations.

Prudence. Investments shall be made in the context of the “prudent person” standard:

Investments shall be made with judgment and care, under circumstance then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The prudent investment diversification for the City’s temporary idle cash vs. the Firemen’s Disability and Retirement Fund (“FDRF”) is different. Up to 40% of the retirement fund may be invested in securities of a single agency of the four double -A rated United States Government Agencies authorized in the Investment Policy. This exception to investment diversification among the highest

quality securities is deemed prudent and necessary in order to increase the available options for keeping retirement funds fully invested at or above the four percent actuarial rate of return.

Objective. Criteria for selecting investments and the order of priority are:

- **Safety** - Safety of principal is the foremost objective of the investment program. The City only operates in those investments that are considered very safe. The City shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk.
- **Credit Risk** - Potential loss due to the failure of an issuer of a security.
- **Market Risk** - Potential decrease in the value of securities due to changes in the general level of interest rates.
- **Liquidity** - Liquidity refers to the “ability to easily sell” at any moment in time with a minimal risk of losing some portion of principal and interest. Liquidity is an important investment quality should the need for cash occur unexpectedly.
- **Yield** -Yield is the potential dollar earnings an investment can provide and is sometimes described as the rate of return.

Delegation of Authority. In accordance with the City’s Charter, Municipal Code, and subsequent resolutions, the City Treasurer is authorized to invest the City’s funds in accordance with California Government Code Section 53600 *et seq.* The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Ethics and Conflicts of Interest. All officials involved with the City’s investment program shall exercise their fiduciary responsibly as custodians of the public trust. The City Treasurer, or when appropriate the Treasury Supervisor, shall avoid any transactions that might impair public confidence in the City’s ability to manage the investment of public funds in an effective manner. The City Treasurer, Treasury Supervisor, or any other official charged with the responsibility of making investment decisions, shall have no vested interest in any investment being made involving public funds of the City, and shall gain no financial benefit from such investment decisions.

Authorized Broker-Dealers and Banks. All financial institutions that desire to do business with the City shall be evaluated by the City Treasurer to determine if they are adequately capitalized, meet California Government Code requirements, and agree to abide by the conditions set forth in the Investment Policy. Whenever reasonable and in keeping with Government Code, investments are placed locally.

Broker-dealers are investigated to determine if there is pending legal action against the firm or the individual broker who would be the City’s contact and that the firm offers securities appropriate to the City’s needs. All broker-dealers, which may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule), who desire to become authorized bidders for City investment transactions must supply the City Treasurer with the following:

- Current audited financial statements
- Account authorization forms
- Proof of National Association of Securities Dealers certification
- Completed broker/dealer questionnaire
- Certification of having read and agreement to abide by the Investment Policy

All banks that desire to become authorized bidders for time certificates of deposit (“TCD”) must be a qualified public depository as established by State law and supply the City Treasurer with the following:

- Current audited financial statements
- Depository contracts
- A copy of the latest Federal Deposit Insurance Corporation (“FDIC”) call report
- Certification of having read and agreement to abide by the Investment Policy

Broker-dealer account authorizations and depository contracts will be executed by the City’s Finance Director as required by City Charter. The City Treasurer will maintain a list of authorized broker-dealers and banks that are approved to do business with the City. An annual review of the financial condition of authorized financial institutions will be conducted by the City Treasurer.

Authorized and Suitable Investments. The City’s investment program is governed by California Government Code Sections 53600 *et seq.* Within the context of these limitations, the following investments are authorized, as further limited herein (Single Asterisk * denotes term or percentage imposed by State statute; Double Asterisk ** denotes term or percentage utilized by the City, which is more restrictive than statute):

United States Treasury Bills, Notes, and Bonds

United State Treasury Bills, Notes, and Bonds are securities which have the full faith and credit of the United States pledged for payment of principal and interest. Although there is no percentage limitation of the dollar amount that can be invested in these categories, the “prudent person” standard shall apply. Maturities are limited to five* years from settlement date.

Treasury Bills (“T-Bills”) are short-term debt obligations of the United States Government, issued weekly with maturities up to one year. T-Bills are considered to have virtually no credit risk and to be the most liquid short-term fixed income instrument. Prices on T-Bills are quoted on a discount basis. The difference between the discount price and the full face value paid at maturity equals the total return.

Treasury Note (“T-Notes”) are initially issued by the auction process with two, five and ten year maturities. T-Notes like Bills have virtually no credit risk and have liquidity through an active secondary market. T-Notes are issued at Par (\$1,000) with a coupon or fixed rate of interest. The price or market value will fluctuate above or below par depending on the coupon rate and whether interest rates are rising or falling. T-Notes mature at par.

Treasury Bonds (“T-Bonds”) are initially issued by the auction process with 30 year maturities and have characteristics similar to T-Notes.

United States Government Agencies

United States Government agencies include the Federal Farm Credit Bank System (“FFCB”), the Federal Home Loan Bank (“FHLB”), the Federal Home Loan Mortgage Corporation (“FHLMC”), and the Federal National Mortgage Association (“FNMA”). Government agencies issue debt in the form of discount notes, much like T-Bills, and notes and bonds similar to T-Notes and T-Bonds. While agency debt is not a direct obligation of the U.S. government, it is rated AA. At the time of purchase no more than 20%** of the portfolio may be invested in any single agency name. Maturities are limited to five* years from settlement date.

Bankers Acceptance

Bankers Acceptance (“BA”) is a time draft or bill of exchange, issued from a letter of credit, and is normally used to finance international trade. When the accepting bank stamps “accepted” on the draft the bank guarantees payment of the draft at a specified future date and thereby creates an acceptance. BA’s are considered extremely safe in that there has never been a default on a BA. BA’s trade on a discount basis and may not exceed 180* days to maturity. No more than 10%** of the portfolio may be invested in BA’s issued by any one bank. No more than 40%* of the portfolio may be invested in this-category. Eligible BA’s are those issued by banks with a short term rating of the highest letter and number rating provided for by a nationally recognized statistical-rating organization.

Commercial Paper

Commercial Paper (“CP”) is a short-term promissory note. CP is sold on a discount basis. The maximum maturity is 270 days with most issued in the 30-50 day maturity range. Eligible CP is “prime” quality of the highest letter and number rating provided for by a nationally recognized statistical-rating organization. CP is issued by domestic corporations having assets in excess of \$500 million and having an A or higher rating on its debt, other than CP, as provided by Standard & Poor’s Ratings Services (“S&P”) or Moody’s Investors Service, Inc. Purchases of eligible CP may not exceed 270* days to maturity. No more than 10%* of the portfolio may be invested in CP issued by any one corporation. No more than 25%* of the portfolio may be invested in this category.

Repurchase Agreements

Repurchase Agreements, commonly called “Repos,” consist of two simultaneous transactions. One is the purchase of securities by an investor (City) from a bank or dealer. The other is the commitment by the bank or dealer to repurchase the securities at the same price plus interest at some mutually agreed future date. Normally the securities are U.S. Treasury notes or bonds and are held by a Federal Reserve Bank. Repos can be done with banks or dealers with which the City has entered into a master repurchase contract that specifies terms and conditions of repurchase agreements. The maturity of Repos shall not exceed 90** days. No more than 30%** of the portfolio may be invested in this category.

Local Agency Investment Fund

Local Agency Investment Fund (“LAIF”) is a State-managed investment pool for local agencies within the State. Investments may be up to the maximum permitted by State law or 40%** of the portfolio, whichever is less. Due diligence will be exercised in monitoring the performance of LAIF on a continual basis.

Time Certificates of Deposit

Time Certificates of Deposit (“TCD’s”) are similar to a savings certificate that anyone can purchase at a bank where there is a fixed rate of interest and a specified maturity date. In the public funds area, TCD’s are collateralized in accordance with California Government Code and are non-negotiable. At the time of purchase no more than 10%** of the portfolio may be in TCD’s of any one institution. Maturity is limited to five* years. No more than 40%** of the portfolio may be invested in this category. Section 53652 of the California Government Code also specifies that the City will have a deposit contract with each depository.

Public Agency Savings Account - Demand Deposits

Public Agency Savings Account - Demand Deposits are similar to a savings account that anyone can open at a bank. The interest rate is specified at the time of deposit, but is subject to change. All funds can be withdrawn on demand. Like public TCD’s, public agency savings accounts are collateralized in accordance with California Government Code requirements. No more than 30%** of the portfolio may be invested in this category.

Mutual Funds

Mutual Funds are money market funds meeting criteria prescribed in California Government Code Section 53601 and related legislation. Investment in this category is limited to funds that invest in United States Government Securities and maintain a net asset value of one (daily liquidity). The purchase price of shares shall not include any commission that these companies may charge. No more than 10%* of the portfolio may be invested in the shares of any one mutual fund. No more than 20%* of the portfolio may be invested in this category. Mutual funds are used for the investment of bond proceeds subject to arbitrage reporting. Due diligence will be exercised in the selection and performance monitoring of mutual funds on a continual basis.

City of Bakersfield Summary of Maximum Percent and Term Limitations By Investment Type:

	Percent	Term
U.S. Treasury Bills, Notes and Bonds	0 to 100%	5 Years
U.S. Government Agency Obligations	20% per agency	5 Years
Bankers Acceptances ⁽¹⁾	40% ⁽²⁾	180 Days
Commercial Paper ⁽³⁾	25% ⁽²⁾	270 Days
Repurchase Agreements	30%	90 Days
Local Agency Investment Fund	40%	N/A
Time Certificates of Deposit	40% ⁽²⁾	5 Years
Public Agency Demand Accounts	30%	N/A
Mutual Funds	20% ⁽²⁾	N/A

- (1) Short-term debt rating of the highest letter and number rating provided for by a nationally recognized statistical-rating organization.
- (2) No more than 10% of the portfolio may be invested in any one entity from these categories.
- (3) Highest letter and number rating provided for by a nationally recognized statistical-rating organization.

Should any investment percentage and portfolio limitation be exceeded due to the unexpected fluctuation in portfolio size, the affected securities may be held to avoid losses. When market values are such that no loss is indicated, the City Treasurer shall consider restructuring the portfolio basing the decision in part on the expected length of time the portfolio will be imbalanced.

Any State legislative action that further restricts allowable maturities, investment type, or percentage allocations, will be incorporated into the Investment Policy and supersede any and all previous applicable language.

Unauthorized Investments. Ineligible investments are those that are not described in the Investment Policy, including but not limited to, negotiable time certificates of deposit, non-government agency medium term corporate notes, and reverse repurchase agreements.

Collateralization. Collateralization will be required on two types of investments, time certificates of deposit and repurchase agreements. Investment in time certificates of deposit shall be insured up to \$250,000 by the FDIC. Investments in time certificates of deposit in excess of \$250,000 shall be properly collateralized. When a depository pledges government securities as collateral, section 53652 of the California Government Code requires the securities to have a market value of at least 10% in excess of the City's deposit or 50% in excess of the City's deposit when mortgages are pledged as collateral. Repo collateralization will be at least 102% of market value of principal and accrued interest.

Safekeeping and Custody. All security transactions entered into by the City shall be conducted on a delivery-versus-payment ("DVP") basis. Securities shall be delivered to the City by book entry, physical delivery or by third party custodial agreement.

Diversification. To reduce credit and market risk in the overall portfolio, the City will diversify its investments by security type, maturity date and issuer. With the exception of U.S. Treasury securities, diversification is also achieved by the portfolio percentages and maturity limitations indicated in the "Authorized and Suitable Investments" section of the Investment Policy.

Maximum Maturities. To the extent possible, and within the five year maximum maturity required by California Government Code, the City will attempt to match investment maturities with anticipated cash flow requirements.

As required by California Government Code Section 53601, any investment term longer than five years requires express authority by the City Council to make that investment. This authority must be granted no less than three months prior to making the investment. Investments with terms longer than five years will be limited to the least of \$10 million or 10% of the portfolio at the time the investment is made.

Internal Control. Investment transactions are reviewed by the City's external auditor as part of the annual audit. This review verifies compliance with the Investment Policy and the California Government Code.

Performance Standards. The cash management system is designed to accurately monitor and forecast expenditures and revenues, thus ensuring the investment of moneys to the fullest extent possible, including the estimated float for the Active Account and the Payroll Account. The City attempts to obtain the highest interest yields possible as long as investments meet the criteria required for safety and liquidity, do not exceed a term of five years (unless otherwise authorized by the City Council) and are within portfolio percentage limitations.

The City strives to maintain the level of investment of all funds as near 100% as possible through daily and projected cash flow determinations. The basic premise underlying the Investment Policy is, and will continue to be, to ensure that the money is always safe and available when needed.

Because the investment portfolio is designed to operate on a "hold-to-maturity" premise (or passive investment style) and because of the safety, liquidity, and yield priorities, the benchmark that will

be used by the City Treasurer to determine whether market yields are being achieved shall be the yield on the U.S. Treasury Bill or Note maturing closest to the weighted average maturity of the City's overall portfolio.

Reporting. The City Treasurer shall provide the City Council monthly investment reports which provide a clear picture of the status of the current investment portfolio. The monthly investment report shall include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category
- Final maturity of all investments listed
- Coupon, discount, or earnings rate
- Par value and market value
- Transactions completed during the month
- Percentage of the portfolio represented by each investment category

Investment Policy Adoption. The Investment Policy shall be reviewed annually by City staff and adopted by resolution of the City Council.

Indemnification of Investment Officials. The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. The City Treasurer and his designees acting in accordance with established procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Pension Plans

The City's Retirement Plans. The City participates in the Miscellaneous Plan of the City of Bakersfield (the "Miscellaneous Plan"), the Safety Fire Plan of the City of Bakersfield (the "Safety Fire Plan"), and the Safety Police Plan of the City of Bakersfield (the "Safety Police Plan"), which are included in the Public Agency portion of the California Public Employees Retirement System ("CalPERS"). The City also participates in the Fireman's Relief and Pension Fund ("FRPF"), which is administered by the City. Combined, the Miscellaneous Plan, the Safety Fire Plan, the Safety Police Plan, and the FRPF cover all permanent and certain part-time employees of the City. Prior to June 26, 1972, all City employees of the City's Fire Department were covered by FRPF. Effective June 26, 1972, all existing and new employees of the City's Fire Department became members of CalPERS.

The Miscellaneous Plan, the Safety Fire Plan, and the Safety Police Plan (the "CalPERS Plans") provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Each of the CalPERS Plans is part of the Public Agency portion of 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. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employee's Retirement Law. The City selects optional benefit provisions for each of the CalPERS Plans from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from their Executive Office at 400 P Street, Sacramento, California 95814.

The Miscellaneous Plan. 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 year 2014-15 is 18.012%. 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.

For the year ended June 30, 2014, the City's annual pension cost of \$9,110,586 for CalPERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.3% to 14.2%, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75%. The actuarial valuation of the Miscellaneous Plan's assets is based on a 15 year smoothed market methodology that dampens the effects of short-term market value fluctuations on employer contributions. The Miscellaneous Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. Based on the most recently completed actuarial valuation, the remaining amortization period at June 30, 2013 was twenty-one years.

The Safety Fire Plan. 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 year 2014-15 is 29.004%. 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.

For the year ended June 30, 2014, the City's annual pension cost of \$4,252,156 for CalPERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.3% to 14.2%, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Safety Fire Plan's assets is based on a 15 year smoothed market methodology that dampens the effects of short-term market value fluctuations on employer contributions. The Safety Fire Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. Based on the most recently completed actuarial valuation, the remaining amortization period at June 30, 2013, was twenty-four years.

The Safety Police Plan. 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 year 2014-15 is 37.536%. The contribution requirements of the plan members are established and may be amended by CalPERS.

For the year ended June 30, 2014, the City's annual pension cost of \$10,789,992 for CalPERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended

June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.3% to 14.2%, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Safety Police Plan's assets is based on a 15 year smoothed market methodology that dampens the effects of short-term market value fluctuations on employer contributions. The Safety Police Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. Based on the most recently completed actuarial valuation, the remaining amortization period at June 30, 2013, was twenty-six years.

The Fireman's Relief and Pension Fund. The 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 annual cost-of-living adjustments 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, 2014, the most recent actuarial valuation date, there were 6 participants, retired and 100% vested. There is not a separate, audited GAAP-basis pension report available for the FRPF defined benefit pension plan.

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, 2014 valuation used the unprojected unit credit method to calculate the costs for pension benefits.

Unfunded Liability and Contribution Rates. The unfunded actuarial accrued liability for valuation date June 30, 2013 (the most recent information available from CalPERS), was \$114,137,655 for the Miscellaneous Plan (221.6% of payroll), \$56,365,103 for the Safety Fire Plan (373.3% of payroll), and \$127,454,224 for the Safety Police Plan (430.5% of payroll). The total unfunded liabilities for the City (all three plans combined) have been estimated by CalPERS to be \$297,956,982 as of June 30, 2013. As part of its June 30, 2013, actuarial report, CalPERS provided the City with the following unfunded liability rates, stated as a percentage of the City's payroll, for the Fiscal Year 2015-16 budget year: 221.6% for Miscellaneous Plan employees (average remaining period of 30 years); 373.3% for Safety Fire Plan employees (average remaining period of 30 years); and 430.5% for Safety Police Plan employees (average remaining period of 30 years).

Other Post-Employment Benefits

The City provides other post-employment benefits ("OPEB") to former employees in the form of a medical premium subsidy. The level of such medical premium subsidy for each former employee is dependent upon such former employee's date of hire and years of service with the City. The City's medical premium subsidy program is more fully described in "Note 17 – Other Post-Employment Benefits" in the Notes to the Financial Statements section of the City's CAFR for Fiscal Year 2013-14, a copy of which is attached to this Official Statement as Appendix C.

In December 2006, the City contracted with Phase II Systems, doing business as Public Agency Retirement Services, for trust administration services and established an irrevocable trust for its post-retirement medical benefit plan. In accordance with Governmental Accounting Standards Board (GASB)

Statements No. 43 and No. 45, the City has an actuarial study performed every two years. The most recent actuarial study was performed by The Segal Company with a valuation date of July 1, 2013.

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 liability claim. The City participates in a joint powers authority for worker's compensation claims in excess of coverage provided by the Self-Insurance Fund up to statutory limits and participates in a joint powers authority for any excess liability claims. All funds of the City participate in the program and are charged for their share of claim expenditures.

The claims liability of \$33,193,165 at June 30, 2014, 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.

Tax Levies and Delinquencies; Assessed Valuation of Taxable Property

The County Tax Collector collects *ad valorem* property tax levies representing taxes levied for each Fiscal Year on taxable real and personal property that is situated in the County as of the preceding March 1. Unsecured taxes are assessed and payable on March 1 and become delinquent August 31, in the next Fiscal Year. Accordingly, unsecured taxes are levied at the rate applicable to the Fiscal Year preceding the one in which they are paid.

One half of the secured tax levy is due November 1 and becomes delinquent December 10; the second installment is due February 1 and becomes delinquent April 10. A 10% penalty is added to any late installment.

Property owners may redeem property upon payment of delinquent taxes and penalties. Tax-delinquent properties are subject to a redemption penalty of 1.5% of the delinquent amount every month commencing on July 1 following the date on which the property became tax delinquent. Properties may be redeemed under an installment plan by paying current taxes, plus 20% of delinquent taxes each year for five years, with interest accruing at 1.5% per month on the unpaid balance. If no payments have been made on delinquent taxes at the end of five Fiscal Years, the property is deeded to the State. Such property may thereafter be conveyed to the County Tax Collector as provided by law.

The table below summarizes the City's property tax levies and total collections for Fiscal Years 2009-10 through 2013-14.

**City of Bakersfield
Property Tax Levies and Collections ⁽¹⁾
(Fiscal Years 2009-10 through 2013-14)**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>
2009-10	\$37,878,353	\$36,683,727	96.8%
2010-11	38,752,737	38,136,143	98.4
2011-12	37,333,785	36,574,775	98.0
2012-13	38,448,465	37,544,318	97.6
2013-14	39,887,750	39,344,783	98.6

(1) Excludes redevelopment tax increment.

Source: City of Bakersfield Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014.

The table below summarizes the assessed value of taxable property in the City for Fiscal Years 2009-10 through 2013-14.

**City of Bakersfield
Assessed Value of Taxable Property
(Fiscal Years 2009-10 through 2013-14)
(000s)**

<u>Fiscal Year</u>	<u>Residential - Secured</u>	<u>Commercial - Secured</u>	<u>Other - Secured</u>	<u>Unsecured</u>	<u>Less Tax-Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>
2009-10	\$15,577,372	\$4,030,198	\$3,311,171	\$878,216	\$1,080,957	\$22,716,000
2010-11	14,950,744	4,053,184	3,134,829	834,158	1,063,302	21,909,613
2011-12	14,521,636	3,832,880	3,245,619	850,899	1,104,081	21,346,953
2012-13	14,698,137	3,904,832	3,268,227	912,300	1,097,928	21,685,568
2013-14	15,592,995	4,010,392	3,575,805	791,531	1,186,061	22,784,662

Source: City of Bakersfield Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014.

The table below shows the assessed valuations of the principal taxpayers in the City as of June 30, 2014.

**City of Bakersfield
Assessed Valuation of Principal Taxpayers
(June 30, 2014)**

<u>Taxpayer ⁽¹⁾</u>	<u>2013-14 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Chevron USA Inc.	\$ 201,845,664	0.89%
Nestle Holdings Inc.	196,422,345	0.86
Valley Plaza Mall LP (formerly Bakersfield Mall LLC)	125,013,540	0.55
WalMart Real Estate BSNS Trust	90,072,683	0.40
California Water Service Company	83,735,182	0.37
Castle & Cook CA Inc.	76,768,870	0.34
Lserf2 Tractor Reo LLC	70,087,573	0.31
GSF Edgewater Investors LP	67,967,343	0.30
Donahue Schriber Realty Group LLP	63,594,316	0.28
Bright House Networks LLC	<u>51,434,680</u>	<u>0.23</u>
Total taxable assessed value of 10 largest taxpayers	\$ 1,026,942,196	4.53%
Total taxable assessed value of other taxpayers	<u>21,757,719,634</u>	<u>95.47</u>
Total taxable assessed value of all taxpayers	\$22,784,661,830	100.00%

(1) Related or affiliated parties are grouped together.

Source: City of Bakersfield Comprehensive Annual Financial Report Fiscal Year ended June 30, 2014.

Demographic Statistics

The following table sets forth various demographic data regarding the City, including population, estimated median household income, elementary school enrollment, and estimated unemployment rate, from Fiscal Year 2009-10 through 2013-14.

City of Bakersfield Demographic Statistics (Fiscal Years 2009-10 through 2013-14)

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Percentage of Population Having Formal Schooling</u>	<u>Estimated Unemployment Rate</u>
2009-10	333,847	\$21,071	78.1%	15.8%
2010-11	338,952	20,675	77.8	15.3
2011-12	354,480	21,553	78.1	10.5
2012-13	359,221	21,887	77.8	8.4
2013-14	367,315	21,980	78.2	7.9

Source: City of Bakersfield Comprehensive Annual Financial Report Fiscal Year ended June 30, 2014.

Employment

The following table sets forth information regarding the size of the labor force, employment rates, and unemployment rates for the City, the County, and the State for calendar years 2010 through 2014.

Employment Averages City of Bakersfield, Kern County, and State of California (Calendar Years 2010 – 2014)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Bakersfield					
Labor Force	166,800	171,900	176,900	177,700	178,000
Employment	143,400	149,100	156,000	159,000	161,400
Unemployment Rate	14.1%	13.3%	11.8%	10.5%	9.3%
Kern County					
Labor Force	371,800	382,900	393,100	394,200	394,400
Employment	313,700	326,300	341,400	348,000	348,000
Unemployment Rate	15.5%	14.8%	13.2%	11.7%	11.7%
State of California					
Labor Force (000s)	18,336.3	18,419.5	18,554.8	18,671.6	18,811.4
Employment (000s)	16,091.9	16,260.1	16,630.1	17,002.9	17,391.1
Unemployment Rate	12.2%	11.7%	10.4%	8.9%	7.5%

Source: California Employment Development Department.

The following table sets forth the top 10 employers in the City as of June 30, 2014.

**City of Bakersfield
Principal Employers
(As of June 30, 2014)**

<u>Firm</u>	<u>Employees</u>
County of Kern	7,811
Kern High School District	3,888
Bakersfield City School District	3,203
San Joaquin Community Hospital	2,039
Panama-Buena Vista Union School District	2,038
Wm. Bolthouse Farms	1,937
Chevron Corp.	1,873
Nabors Completion & Production Services	1,700
Bakersfield Memorial Hospital	1,650
City of Bakersfield	1,455
Others	<u>138,506</u>
Total	<u>166,100</u>

Source: City of Bakersfield Comprehensive Annual Financial Report Fiscal Year ended June 30, 2014.

Building Activity

The following table summarizes the City's total annual building permit valuations for fiscal years 2009-10 through 2013-14.

**City of Bakersfield
Property Value, Construction, and Bank Deposits ⁽¹⁾
(Fiscal Years 2009-10 through 2013-14)**

<u>Fiscal Year</u> ⁽³⁾	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Other Construction</u>	<u>Total Construction</u>		<u>Bank Deposits</u> ⁽²⁾
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	
2009-10	83	\$62,088	1,097	\$232,275	\$86,668	1,180	\$381,031	\$4,728,745
2010-11	40	13,425	848	197,380	98,057	888	308,862	5,172,880
2011-12	40	41,482	422	92,313	81,984	462	215,779	5,280,515
2012-13	49	20,807	1,122	259,851	108,877	1,171	389,535	5,626,755
2013-14	69	15,710	1,336	312,569	157,024	1,405	485,303	6,069,764

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

(2) Federal Deposit Insurance Corporation.

(3) Construction units and values are based on a 12-month calendar year. June 30, 2014 data reflects the 2013 calendar year.

Source: City of Bakersfield Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014.

Commercial Activity

Consumer spending in calendar year 2013 resulted in approximately \$6,046,533,000 in taxable sales in the City, which is approximately 1.5% more than in calendar year 2012. The following tables set forth information regarding taxable sales in the City for calendar year 2013.

City of Bakersfield Taxable Retail Sales Calendar Years 2009 through 2013 (000s)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Motor Vehicles and Parts Dealers	\$ 631,773	\$ 694,631	\$ 862,869	\$1,067,814	\$1,131,743
Home Furnishings and Appliance Stores	170,486	116,364	188,226	203,522	203,213
Bldg. Materials and Garden Equip. and Supplies	268,924	261,174	290,507	310,438	317,048
Food and Beverage Stores	212,056	204,016	211,361	222,062	225,480
Gasoline Stations	396,688	447,576	564,575	549,632	528,471
Clothing and Clothing Accessories Stores	218,590	236,335	269,360	294,763	306,086
General Merchandise Stores	774,005	823,053	864,978	904,090	909,123
Food Service and Drinking Places	472,545	472,078	517,877	568,883	596,891
Other Retail Group	<u>346,582</u>	<u>339,647</u>	<u>354,232</u>	<u>371,044</u>	<u>387,459</u>
Total Retail and Food Services	\$3,491,649	\$3,644,874	\$4,123,995	\$4,492,248	\$4,605,514
All Other Outlets	<u>930,474</u>	<u>1,022,871</u>	<u>1,326,385</u>	<u>1,462,546</u>	<u>1,441,019</u>
Total All Outlets	\$4,422,123	\$4,667,745	\$5,450,380	\$5,954,794	\$6,046,533

Source: California State Board of Equalization.

There are three major shopping centers in the City. Major department stores with local outlets include Macy's, J.C. Penney, Sears, and Kohl's. The retail base includes three Wal-Marts, three Targets, three Home Depots, two Lowe's Home Improvement Stores, two Costcos, and a Sam's Club.

The number of sales permits issued and the valuation of taxable transactions for the years 2009 through 2013 is presented in the following table.

City of Bakersfield Number of Permits and Valuation of Taxable Transactions Calendar Years 2009 through 2013 (000s)

<u>Year</u>	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>No. of Permits</u>	<u>Taxable Transactions</u>	<u>No. of Permits</u>	<u>Taxable Transactions</u>
2009	4,771	\$3,491,649	6,929	\$4,422,123
2010	5,061	3,644,874	7,189	4,667,745
2011	5,254	4,123,995	7,334	5,450,380
2012	5,416	4,492,248	7,520	5,954,794
2013	5,712	4,605,514	7,700	6,046,533

Source: California State Board of Equalization.

Transportation

Well-developed surface and air transportation facilities are available to City residents and business firms. Main lines of both the Union Pacific and the Burlington Northern Santa Fe railroads traverse the area. Amtrak service is available.

State Highway 99, the main north-south artery serving the most populous communities along the east side of the Central Valley, runs through the center of the City. State Highway 58 provides east-west linkage between Interstate 5, 20 miles west, and Interstate 15 at Barstow, to the east, Highway 178, heading northeast, is the major route along the Kern River Valley. Highway 65, to the north, provides access to communities east of Highway 99 and to Sequoia National Park.

Interurban motor transportation is made available by Orange Belt Stages, Greyhound, and Trailways. Golden Empire Transit provides local bus transportation.

The Meadows Field Airport adjoins the City to the north. Regularly scheduled passenger and air cargo service is available, as well as charter service and general aviation services. The Meadows Field Airport includes the William M. Thomas Terminal, a 64,800 square foot, state-of-the-art terminal facility completed in November 2005 that is currently equipped with three jet-boarding bridges, but that may be expanded to accommodate up to nine gates.

The Director of Airports is appointed by the County Board of Supervisors. The County Board of Supervisors meets at 1115 Truxtun Avenue in Bakersfield, California, on Monday and Tuesday of each week. Department of Airports agenda items are usually heard on Tuesday at 9:00 a.m.

Utilities

Electricity throughout the City is supplied by Pacific Gas and Electric Company. This company, along with Southern California Gas Company, also supplies natural gas. Telephone service is by AT&T. Fifteen private water companies serve the City. The City provides sewer and water services.

Education

Public education in the City through the secondary grades is provided by a number of elementary school districts, including the Bakersfield City School District and Kern High School District. There are also a number of private schools, nursery schools, and pre-schools within the City.

The City lies within Kern Community College District, which administers Bakersfield College. This two year institution is located on a 150-acre site in northeast Bakersfield. Vocational and technical courses are offered as well as academic courses designed to equip the student for transfer to a four-year college or university in the third year. Bakersfield College attracts about half the local high school graduating class each year.

California State University, Bakersfield, opened in 1970 and received its university status in 1988. It is located on a 375-acre site located in the western portion of the City. Majors offered include anthropology, art, earth sciences, philosophy, mathematics, political science, business, and teaching. A graduate program offers a master's degree in a number of fields.

The newest campus in the University of California system, UC Merced, opened in 2005. UC Merced serves the entire San Joaquin Valley, with the main campus located in the City of Merced and satellite centers located in the City and the Cities of Fresno and Modesto.

Financial Services

Statewide banking systems serving the City include Bank of America, Chase Bank, Union Bank, Rabobank, and Wells Fargo Bank. Their services are supplemented by local and regional banks and various savings and loan associations.

Community Facilities

The City has six general hospitals with a total bed capacity of 1,075. The City is a primary medical center of a region larger than some states. Mercy Hospital and Greater Bakersfield Memorial Hospital are among the largest employers in the City. Kern Medical Center, administered by the County, is affiliated with UCLA Medical Center of Los Angeles.

The daily “Bakersfield Californian” and two weekly newspapers provide regional news coverage. Bakersfield has 20 radio stations, four television stations, two cable TV companies, and two satellite TV companies.

The City has 59 public parks, covering a total of 623 acres.

The Bakersfield Rabobank Arena, Theater, and Convention Center contains a 3,250-seat concert hall, an 11,000-seat arena, and 14 meeting rooms. Memorial Stadium hosts more National AAU track meets than any other city in the country. County-owned golf courses and five private courses offer year-round golf, and tennis is played throughout the year at six private tennis clubs.

Cultural advantages of the City include community theater, the Bakersfield Symphony orchestra, a community concert group, and the Cunningham Art Gallery. Bakersfield College and California State University, Bakersfield, sponsor plays, concerts, lectures, and special events throughout the year.

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APPENDIX C

**CITY OF BAKERSFIELD COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

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**CITY OF BAKERSFIELD
CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



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

CITY OF BAKERSFIELD
Comprehensive Annual Financial Report
Year Ended June 30, 2014

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December 15, 2014

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

In accordance with the requirements of our Municipal Code (Section 2.08.020F), I am pleased to submit the City of Bakersfield's (the "City") Comprehensive Annual Financial Report for the year ended June 30, 2014. This report was prepared by the City's Finance Department, which assumes responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures.

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

Generally Accepted Accounting Principles (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'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 is located approximately one hundred miles north of Los Angeles in the southern San Joaquin Valley. The City maintains an incorporated area of 150 square miles and has an estimated population of 367,315 as of January 1, 2014.

The City 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
- Wastewater Treatment

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

MAJOR INITIATIVES

Major transportation projects associated with the Thomas Roads Improvement Program (TRIP) continue to progress through the various phases of environmental, design, land acquisition and construction. The TRIP program uses a combination of local funds, Transportation Impact Fees, and State and Federal road funds, including approximately \$570 million of Federal earmark funds approved by Congress in 2005.

The 2013-14 capital budget included over \$260 million of funding for the TRIP projects as outlined below:

• Centennial Corridor (Right of Way-early acquisition)	\$165,000,000
• SR 178 Widening (Right of Way & Construction)	\$ 30,300,000
• Morning Drive / SR 178 Interchange (Construction)	\$ 19,800,000
• Rosedale Widening (Right of Way & Construction)	\$ 17,000,000
• 24 th Street Widening (Design & Right of Way)	\$ 16,600,000
• SR 58 Gap Closure (Construction)	\$ 12,500,000

The Centennial Corridor project received approval to spend \$165 million of the federal earmark for early acquisition of right of way needed for the project. As of November 2014 the City has successfully negotiated the voluntary acquisition of 70 residential properties. The Morning Drive / SR 178 Interchange and the SR 58 Gap Closure projects are under construction with expected completion in the next year. The Rosedale Widening project and the SR 178 widening project are expected to be under construction by the spring/summer of 2015.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy and Local Budget Issues - The City continues to show signs of economic recovery after being impacted in past years by the statewide recession. Secured property tax revenues grew by 3.5% in fiscal year 2013-14 and are estimated to increase by an additional 5% in fiscal year 2014-15. Sales tax revenues grew by 2.8% in fiscal year 2013-14 and are estimated to increase by an additional 3% in fiscal year 2014-15. The local economic environment continues to improve slowly; driven predominantly by agricultural and oil production industries in the area.

The City Council (the Council) continues to take a conservative approach in adopting our budget for 2014-15. The Council has maintained a \$12,500,000 cash basis reserve fund along with a \$5,000,000 facilities reserve fund to provide a level of protection for the City. The Council also continued to fully fund the Annual Required Contribution toward the City's Other Post-Employment Benefits (OPEB) costs for retiree medical benefits, maintaining the City's position as one of the few entities in California that are making serious progress toward fully funding this long-term obligation.

Retirement costs are projected to escalate for all employee groups over the next several years as a result of California Public Employees' Retirement System's (CalPERS) recent changes to its actuarial methodology. CalPERS approved a multi-year smoothing method to spread the rate increases associated with moving from a rolling 30 year amortization period to a fixed 30 year amortization period. Rates are expected to rise steadily for the next 5 years as this change is fully implemented. Preliminary estimates provided by CalPERS project employer rates to increase by 10% to 16% over the next five years. The methodology change and resulting rate increases will have a significant impact on retirement costs for the City. We estimate these changes will increase our retirement benefit costs by approximately \$11.0 million per year once the rate increases have been fully implemented by CalPERS.

The City Council has been setting aside funds in the budget since 2011-12 in anticipation of future year rate increases to try and stay ahead of these annual increases. The Council budgeted \$2.25 million in the 2014-15 budget as a reserve to help address the anticipated rate increases for the 2015-16 budget year.

Long-Term Financial Planning - The City continues to look forward in meeting our long-term financial and operating needs. The increasing costs of retirement and medical benefits are of particular concern and are being monitored closely by the City. The City continues to monitor departmental needs for satellite storage and staging areas for Public Works and Parks operations. As the City continues to grow both in population and in geographic area, we must continuously evaluate opportunities to become more efficient and effective in our efforts to serve our community.

Accounting System and Internal Controls - The City's accounting system is organized and operated on a fund basis. Each fund is a distinct self-balancing accounting entity. Various funds utilized by the City 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 of accounting, 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 service funds are recorded on an accrual basis of accounting, 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. However, the City recognizes that even sound internal controls have their inherent limitations. Internal controls are reviewed to ensure that the City's operating policies and procedures are being adhered to and that the controls are adequate to ensure accurate and reliable financial reporting and to safeguard the City's assets.

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 2013-14 City appropriation limit established as required by state statute was \$322,310,373.

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 bankers' 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 encourages competitive bidding on a five year cycle. The accounting firm of Brown Armstrong Accountancy Corporation was selected by the City Council in 2012 to perform the annual audit for the 2011-12 fiscal year. This audit year (2013-14) is the third 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 U.S. Office of Management and Budget (OMB) Circular A-133. The auditor's report covers 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 for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013, marking the thirty-third 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 GAAP and applicable legal requirements.

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

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

Respectfully,



Nelson K. Smith
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to
**City of Bakersfield
California**

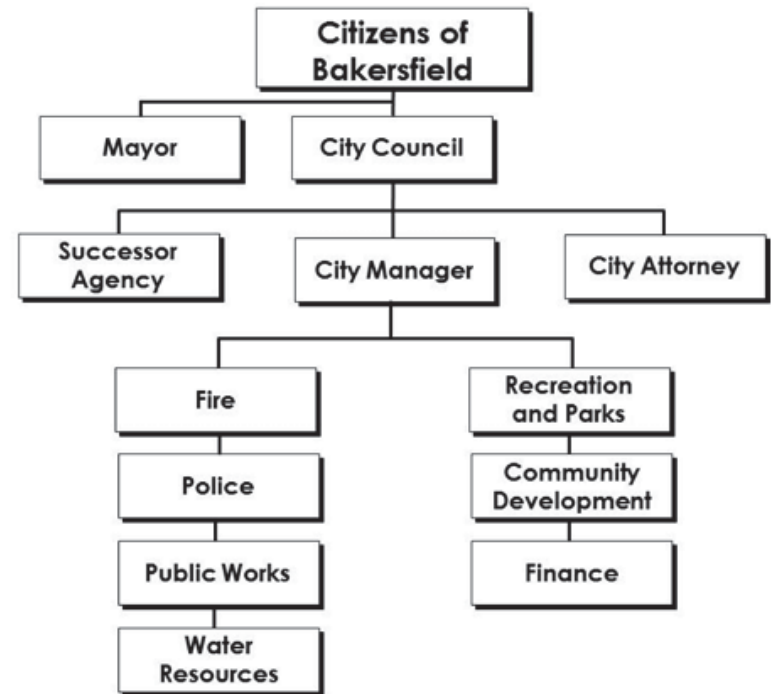
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Jeffrey R. Egan
Executive Director/CEO

CITY OF BAKERSFIELD

Organizational Chart



CITY OF BAKERSFIELD
June 30, 2014

City Council

Harvey L. HallMayor
 Willie RiveraMember/Ward 1
 Terry MaxwellMember/Ward 2
 Ken WeirVice Mayor/Ward 3
 Bob SmithMember/Ward 4
 Harold HansonMember/Ward 5
 Jacquie SullivanMember/Ward 6
 Russell JohnsonMember/Ward 7

Administrative Personnel

Alan TandyCity Manager
 Virginia GennaroCity Attorney
 Doug McIsaacCommunity Development Director
 Nelson K. SmithFinance Director
 Douglas GreenerFire Chief
 Greg WilliamsonPolice Chief
 Nick FidlerPublic Works Director
 Dianne HooverDirector Recreation & Parks
 Art ChianelloWater Resources Manager



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bakersfield, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in the Note 1 to the financial statements, the City of Bakersfield implemented GASB Statement No. 66, *Technical Corrections - 2012 – an amendment of GASB Statements No. 10 and No 62*, GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, during the fiscal year 2014. There was no significant impact over the City of Bakersfield's financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 17 and 96 through 97 as well as schedules of funding progress on pages 98 through 99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual major and nonmajor fund financial statements and schedules as well as schedules of long-term debt recorded in private purpose trust fund on pages 104 through 135, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

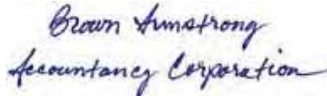
The combining and individual major and nonmajor fund financial statements and schedules as well as schedules of long-term debt recorded in private purpose trust fund on pages 104 through 135 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual major and nonmajor fund financial statements and schedules as well as schedules of long-term debt recorded in private purpose trust fund on pages 104 through 135 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 15, 2014

CITY OF BAKERSFIELD

Management's Discussion and Analysis

This discussion and analysis of the City of Bakersfield's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. 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 exceeded its liabilities at the close of the most recent fiscal year by \$2.3 billion (net position). Of this amount, \$323.0 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$69.6 million over the prior fiscal year. This increase is attributable to a \$22.1 million increase in capital asset investments, a \$4.8 million increase in restricted net position and a \$42.7 million increase in unrestricted net position.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$196.9 million, an increase of \$45.8 million in comparison with the prior year. Amounts available for spending include restricted, committed, assigned and unassigned fund balances. Of this amount \$21.0 million is restricted by law or externally imposed requirements and \$75.8 million is committed for specific purposes, \$93.5 million is assigned and \$6.5 million is unassigned and available.
- Available fund balance for the General Fund decreased \$7.3 million to \$54.6 million, which equates to 30.6% of total General Fund expenditures for the year.
- The City's long-term debt showed a decrease of \$12.0 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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 Governmental Accounting Standards Board (GASB) statements in regards to interfund activity, payables and receivables.

The Statement of Net Position and the Statement of Activities provides 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 position and changes in them. Net position is 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 position 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.

CITY OF BAKERSFIELD**Management's Discussion and Analysis**

In the Statement of Net Position and the Statement of Activities, 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.

Redevelopment activities - State of California action dissolved the City's Redevelopment Agency as of February 1, 2012. Activities of the former Agency are incorporated into the City's financial statements in its role as Successor Agency.

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. 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.

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 proprietary 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.

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.

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 Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. 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.

CITY OF BAKERSFIELD**Management's Discussion and Analysis**

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 Position. 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2.3 billion at the close of the most recent fiscal year, which is a \$69.6 million increase, or 3.1% increase in comparison with the prior year.

The largest portion of the City's net position (84.1% of the total) reflects its net investment in capital assets of \$1.9 billion (e.g., land, buildings, machinery, infrastructure and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net 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.

A small portion of the City's net position of \$41.2 million (1.8% of the total) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$323.0 million (14.1% of the total) may be used to meet the City's ongoing obligations to citizens and creditors.

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

CITY OF BAKERSFIELD

Management's Discussion and Analysis

The following table presents the government-wide assets, liabilities, and net position for both 2013 and 2014. The governmental and business-type activities columns reflect amounts that have been restated in this financial report. See Note 23 page 93 for prior period adjustments.

City of Bakersfield - Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013*	2014	2013*	2014	2013*	2014
Assets						
Current and other assets	\$ 269,042	\$ 315,894	\$ 147,550	\$ 149,966	\$ 416,592	\$ 465,860
Capital assets (net)	1,288,874	1,304,448	878,932	873,272	2,167,806	2,177,720
Total assets	<u>1,557,916</u>	<u>1,620,342</u>	<u>1,026,482</u>	<u>1,023,238</u>	<u>2,584,398</u>	<u>2,643,580</u>
Liabilities						
Long-term liabilities outstanding	70,955	70,174	238,508	228,533	309,463	298,707
Other liabilities	36,166	35,824	17,412	18,097	53,578	53,921
Total liabilities	<u>107,121</u>	<u>105,998</u>	<u>255,920</u>	<u>246,630</u>	<u>363,041</u>	<u>352,628</u>
Net Position						
Net investment in capital assets	1,261,726	1,279,658	642,914	647,106	1,904,640	1,926,764
Restricted	16,247	21,016	20,216	20,209	36,463	41,225
Unrestricted	<u>172,822</u>	<u>213,670</u>	<u>107,432</u>	<u>109,293</u>	<u>280,254</u>	<u>322,963</u>
Total Net Position	<u>\$ 1,450,795</u>	<u>\$ 1,514,344</u>	<u>\$ 770,562</u>	<u>\$ 776,608</u>	<u>\$ 2,221,357</u>	<u>\$ 2,290,952</u>

* as restated

Governmental Activities – Total assets for governmental activities increased by \$62.4 million, with current and other assets in governmental activities increasing by \$46.9 million and a capital assets increase of \$15.6 million. Total liabilities decreased by \$1.1 million, with other liabilities decreasing by \$0.3 million and long-term liabilities decreasing by \$0.8 million.

Of the \$63.5 million increase in governmental activities total net position, unrestricted net position increased by \$40.8 million, net investment in capital assets increased by \$17.9 million and restricted net position increased by \$4.8 million. The increase in restricted net position is due primarily to an increase in capital improvements.

Business-Type Activities – Total assets for business-type activities decreased by \$3.2 million with current and other assets increasing by \$2.4 million and a capital assets decline of \$5.7 million. Total liabilities decreased by \$9.3 million, with other liabilities increasing by \$0.7 million and long-term liabilities also decreasing by \$10.0 million. Total net position for business-type activities increased by \$6.0 million. Of that amount, net investment in capital assets increased by \$4.2 million. Restricted net position decreased by \$7,000 and unrestricted net position increased by \$1.9 million.

Change in Net Position of the City

The following table presents the government-wide changes in net position for both 2013 and 2014. The City's total revenues of \$464.8 million exceeded expenses and extraordinary losses of \$395.2 million for an increase in net position of \$69.6 million. The governmental and business-type activities columns reflect amounts that have been restated in this financial report. See Note 23 page 93 for prior period adjustments.

CITY OF BAKERSFIELD

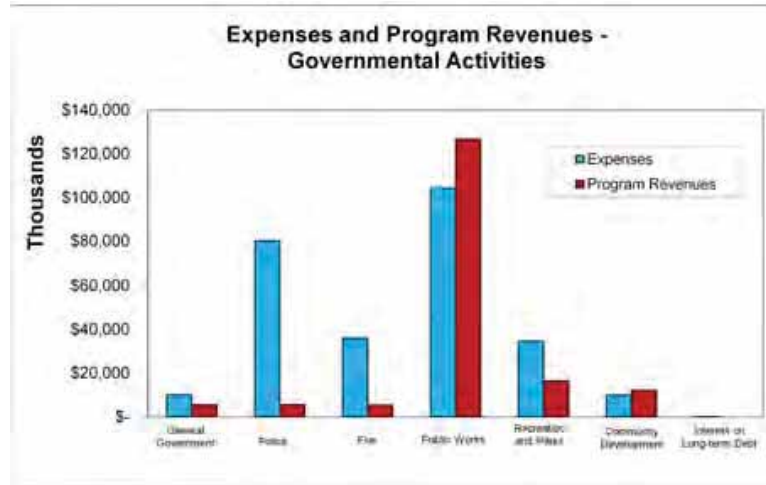
Management's Discussion and Analysis

City of Bakersfield - Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues						
Charges for service	\$ 50,319	\$ 56,246	\$ 100,586	\$ 102,276	\$ 150,905	\$ 158,522
Operating grants and contributions	19,508	11,634	6,243	8,602	25,751	20,236
Capital grants and contributions	76,471	104,071	983	17,277	77,454	121,348
Total program revenues	<u>146,298</u>	<u>171,951</u>	<u>107,812</u>	<u>128,155</u>	<u>254,110</u>	<u>300,106</u>
General Revenues:						
Taxes:						
Property taxes	58,959	66,615	-	-	58,959	66,615
Sales taxes	70,418	72,442	-	-	70,418	72,442
Other taxes	927	988	-	-	927	988
Intergovernmental:						
Intergovt, unrestricted	182	152	-	-	182	152
Grants and contributions not restricted to specific programs	22,726	23,829	-	-	22,726	23,829
Investment earnings	(99)	949	778	2,425	679	3,374
Miscellaneous	5,187	1,684	-	-	5,187	1,684
Gain/(loss) on sale of property	192	36	27	(4,439)	219	(4,403)
Total Revenues	<u>304,790</u>	<u>338,646</u>	<u>108,617</u>	<u>126,141</u>	<u>413,407</u>	<u>464,787</u>
Expenses:						
General government	12,960	10,274	-	-	12,960	10,274
Public safety - Police	76,314	80,193	-	-	76,314	80,193
Public safety - Fire	35,282	36,087	-	-	35,282	36,087
Public works	141,731	104,348	-	-	141,731	104,348
Recreation and parks	28,992	34,641	-	-	28,992	34,641
Community development	7,350	9,941	-	-	7,350	9,941
Interest on long-term debt	468	166	-	-	468	166
Subtotal - Governmental	<u>303,097</u>	<u>275,650</u>	<u>-</u>	<u>-</u>	<u>303,097</u>	<u>275,650</u>
Business-Type:						
Wastewater treatment	-	-	39,916	41,980	39,916	41,980
Refuse collection	-	-	44,364	45,337	44,364	45,337
Agricultural water	-	-	5,245	5,051	5,245	5,051
Domestic water	-	-	21,132	25,614	21,132	25,614
General aviation	-	-	249	463	249	463
Offstreet parking	-	-	162	161	162	161
Subtotal - Business-Type	<u>-</u>	<u>-</u>	<u>111,068</u>	<u>118,606</u>	<u>111,068</u>	<u>118,606</u>
Total Expenses	<u>303,097</u>	<u>275,650</u>	<u>111,068</u>	<u>118,606</u>	<u>414,165</u>	<u>394,256</u>
Change in net position before transfers & other items	1,693	62,996	(2,451)	7,535	(758)	70,531
Transfers	840	1,490	(840)	(1,490)	-	-
Extraordinary loss on Successor Agency loan write-downs	-	(937)	-	-	-	(937)
Changes in net position	2,533	63,549	(3,291)	6,045	(758)	69,594
Net Position - Beginning of Year (as restated)	<u>1,448,262</u>	<u>1,450,795</u>	<u>773,853</u>	<u>770,562</u>	<u>2,222,115</u>	<u>2,221,357</u>
Net Position - End of Year	<u>\$ 1,450,795</u>	<u>\$ 1,514,344</u>	<u>\$ 770,562</u>	<u>\$ 776,607</u>	<u>\$ 2,221,357</u>	<u>\$ 2,290,951</u>

CITY OF BAKERSFIELD
Management's Discussion and Analysis

Governmental Activities – Governmental activities increased the City's net position by \$63.5 million during the year. In the table below, the difference between the program revenue and expense bars by activity illustrates the amount each respective activity is supported by program revenues. Public Safety and Community Services service delivery costs exceeded program revenues by \$105.3 million and \$18.1 million, respectively. Public Safety programs rely heavily on taxes to support their operations whereas Community Services relies on both taxes and charges for service to support their operations. This fiscal year Public Works program revenues exceeded service delivery costs by \$22.4 million due to a large contribution from the County of Kern for future major highway projects.

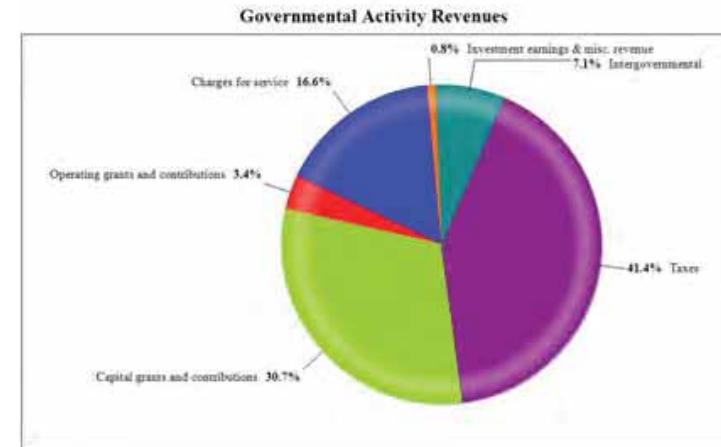


Total expenses in Governmental Activities had a net decrease of \$27.4 million from the previous fiscal year for an overall (9.1)% decrease. The largest decrease of \$37.4 million was in Public Works which is due to the completion of major road and bridge construction projects, including the Westside Parkway and Thomas Road Improvement Program projects. Public Safety – Police increased by \$3.9 million due to continued restoration of previously eliminated positions in prior years and salary and benefit increases. The largest increase, \$5.6 million, was in Recreation and Parks with the majority of the increases due to the prior period adjustments relating to capital assets.

CITY OF BAKERSFIELD
Management's Discussion and Analysis

The taxes category is the largest revenue source for governmental activities, amounting to \$140.0 million or 41.4% of total revenues. Capital grants and contributions is also a significant revenue source for the City's governmental activities, amounting to \$104.1 million or 30.7% of total revenues. Next in line is charges for services, amounting to \$56.2 million or 16.6% of total revenues.

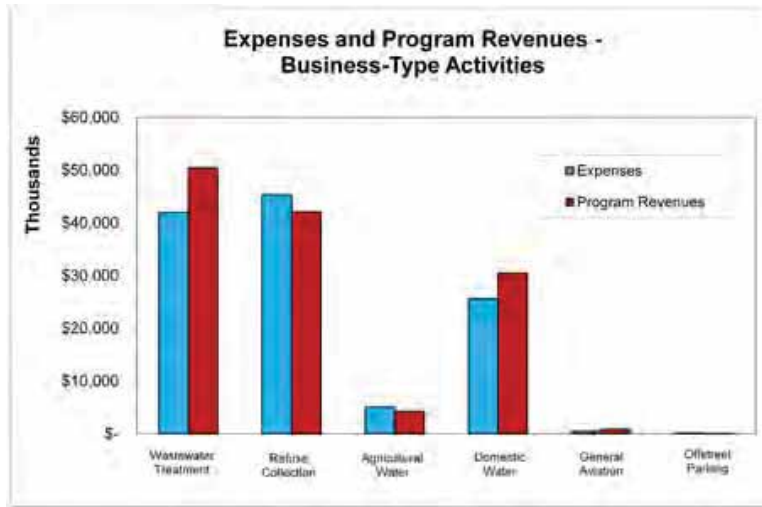
Governmental Activities Revenue increased \$33.9 million, a 11.1% increase compared to the previous fiscal year. This increase is due primarily to 5.2%, or \$8.2 million increase in General Revenues and a 17.5%, or \$25.7 million increase in Program Revenues. Sales tax revenues had a modest increase of 2.9%, or \$2.0 million, while property taxes increased by 13.0% , or \$7.7 million. The increase in Charges for Services is due primarily to an increase in developmental activity within Public Works and Community Development. The increase in Capital Grants and Contributions is due to the final construction phase of the Westside Freeway project and a large contribution from the County of Kern for future major highway projects.



CITY OF BAKERSFIELD

Management's Discussion and Analysis

Business-Type Activities – The City operates six Enterprise Funds that offer wastewater services, refuse collection, agricultural water, domestic water to City residents, downtown parking and a municipal airport.

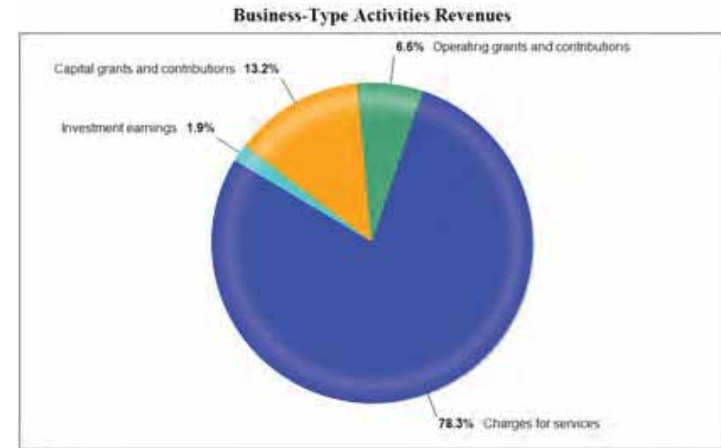


Business-type activities increased the City's net position by \$6.0 million. The bar chart above compares total program revenues and expenses. Program revenues exceeded program expenses in Wastewater Treatment by \$8.4 million and Domestic Water by \$4.9 million. These increases were offset by program expenses exceeding program revenues in Refuse Collection by \$3.2 million and Agricultural Water by \$813,193. Total expense increased by \$7.5 million, 6.8%, over the prior year with the Domestic Water Fund showing the largest increase of \$4.5 million with the majority of the increase due to increased electricity costs for groundwater pumping because of consecutive dry years. Wastewater Treatment had the next largest increase of \$2.1 million due to increased development completed that added to the Wastewater infrastructure.

The pie chart illustrates the distribution of business-type revenues by category. The City's business-type activities rely heavily on charges for services to fund their operations, making up 78.3% of total revenues. Capital grants and contributions is the second largest revenue source at 13.2% of total revenues.

CITY OF BAKERSFIELD

Management's Discussion and Analysis



Business-Type activities program revenues increased by \$20.3 million, 18.9%, over the prior year with Wastewater Treatment showing the largest increase of \$12.7 million and Domestic Water showing the next largest increase of \$6.3 million. The increase in Wastewater Treatment resulted from a significant amount of development completed and added to the Wastewater infrastructure. The increase in Domestic Water was due to an increase in capital contributions from developers and the Successor Agency.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds - The focus of the City'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's financing requirements. In particular, total fund balance less the nonspendable portion is a useful measure of the City's resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$196.9 million, an increase of \$45.8 million in comparison with the prior year. The components of total fund balance are as follows (for more information see Note 14 – Fund Balances):

- **Nonspendable fund balance**, \$3,181, are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of prepaid expenses and deposits.
- **Restricted fund balance**, \$21.0 million, consists of amounts with constraints put on their use by externally imposed creditors, grantors, contributions, laws, regulations or enabling legislation. Examples of restrictions on funds are those for (1) \$11.7 million for the purpose of the fund (i.e., Gas Tax and Road projects), (2) \$4.9 million for proceeds from Special Assessments bonds for capital improvements, (3) \$2.8 million from Redevelopment

CITY OF BAKERSFIELD

Management's Discussion and Analysis

Successor Agency Housing Funds for projects and (4) \$1.2 million for traffic safety projects.

- **Committed fund balance**, \$75.8 million, are amounts for specific purposes determined by the Bakersfield City Council, such as funds collected from fees paid to mitigate the traffic impacts to the regional circulation system of \$42.9 million and \$13.5 million for appropriations for next year's budget.
- **Assigned fund balance**, \$93.5 million, for funds set aside by management for specific purposes. Amounts include \$55.4 million set aside for capital projects and \$3.5 million for the fund purposes related to transient occupancy fees.
- **Unassigned fund balance**, \$6.5 million, represents the residual classification for the City's General Fund.

General Fund: The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance decreased by 11.9%, or \$7.3 million from \$61.9 million to \$54.6 million. Major factors for this overall decrease:

- Total operating revenues remained constant over the previous fiscal year with a slight decrease of \$820,312 (0.5%). Charges for Services had the largest increase of \$2.6 million which is due to continued increases in development activity. In contrast, miscellaneous revenue decreased by \$4.1 million because of a one time reimbursement to the County in the previous fiscal year for a tax calculation error.
- Total operating expenditures increased by \$11.0 million (a 6.6% increase). Of this amount, Public Safety increased by \$8.5 million due to a moderate cost of living increase and increased retirement contribution rates for sworn Police and Fire employees. Public Works also saw an increase of \$3.8 million due to shifting road maintenance expenditures from the Gas Tax Fund in order to free up Gas Tax monies for capital projects. Total Non-departmental expenditures saw a \$3.2 million decrease due to a decrease in the City's OPEB annual required contribution.

Other governmental funds: As compared with the prior year, the total fund balances of the remaining governmental funds increased by 59.7%, or \$53.2 million, to \$142.3 million with the following significant changes:

- The Transient Occupancy Tax Fund increased by \$1.4 million from \$2.2 million to \$3.6 million. The increase is due to increased investment in the various street and road projects. The majority of the fund balance is assigned for spending at the City's discretion. 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, the Convention Center, the Bakersfield Ice Sports Center, the Convention and Visitor Bureau and the Brighthouse Amphitheater.
- The Community Development Block Grant Fund increased by \$59,895 from \$361,685 to \$421,580. Amounts contained in this fund are restricted per the Federal Housing and Community Development Act of 1974.
- The Gas Tax and Road Fund increased by \$6.0 from \$5.7 million to \$11.7 million. Amounts in this fund are restricted by state and federal statute. The increase is due to multiyear projects that have not started yet.
- The Capital Outlay Fund increased by \$43.7 million from \$24.1 million to \$67.8 million. Of this amount, \$7.6 million is committed for contractual obligations and \$4.8 million is committed for facility replacement. The remaining amount of \$55.4 million is assigned and available for use at management's discretion. The increase is the result of a large contribution from the County of Kern for their share of future major highway projects.
- The Park Development Fund increased by \$1.9 million from \$5.1 million to \$7.0 million. Of this amount, \$7.0 million is committed for contractual obligations. The increase is a result of delayed project activity as the City prepares for the next phase of the Sports Village project which will begin in the upcoming year.
- The Transportation Development Fund increased by \$1.5 million from \$41.4 million to \$42.9 million. Of this amount, \$42.9 million is committed for contractual obligation and/or current projects. This change is the result of an

CITY OF BAKERSFIELD

Management's Discussion and Analysis

increase in traffic impact fee revenue due to an increase in development activity.

- The fund balance for non-major governmental funds as a whole increased by \$1.3 million from \$10.2 million to \$8.9 million. The significant changes occurred in the following funds:
 - Special Assessments Districts Fund decreased \$1.5 million. This is generally due to increased development activity. There is a small amount of assessment district capital improvement funds remaining.
 - The above decrease is offset by minor increases in the State Safety and Successor Agency Housing Funds of \$147,892 and \$14,466, respectively.

Proprietary Funds - The City'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 position of \$508.7 million at the end of the current year, an increase of \$9.3 million over the prior year. Total net position includes \$441.4 million invested in capital assets and \$20.2 million of restricted assets which are not available to cover current expenses. The remaining net position of \$47.0 million is unrestricted and available to cover current operating and capital needs (including plant and equipment replacement) of the fund. Revenues in this fund are consistent with the activity in the previous year with the exception of a \$11.4 million increase in capital contributions offset by an increase in operating expenses of \$1.7 million.

The Refuse Collection Fund has total net position of \$16.4 million at the end of the current year, a increase of \$3.7 million from the prior year. Net position within the fund of \$16.4 million is unrestricted and available to cover current operating and capital needs of the fund. The majority of the decrease is due to increased operating expenses related to the City's implementation of a universal recycling program.

The Agricultural Water Fund has total net position of \$25.7 million at the end of the current year, a decrease of \$744,589 over the prior year. Total net position includes \$19.6 million invested in capital assets, which are not available to cover current expenses. The remaining net position of \$6.2 million is unrestricted and available to cover current operating and capital needs of the fund. The decrease is primarily due to increased pumping expenses because of consecutive dry years.

The Domestic Water Fund has total net position of \$213.6 million at the end of the current year, an increase of \$5.4 million over the prior year. Total net position includes \$174.5 million invested in capital assets, which are not available to cover current expenses. The remaining net position of \$39.1 million is unrestricted and available to cover current operating and capital needs of the fund. The majority of the increase is due to capital contributions from developers and the Successor Agency.

The General Aviation Fund has total net position of \$11.0 million at the end of the current year, an increase of \$387,130 compared to the prior year. Total net position includes \$10.5 million invested in capital assets, which is not available to cover current expenses. The remaining net position is unrestricted and available to cover current operating and capital needs of the fund.

The Offstreet Parking Fund has total net position of \$1.3 million at the end of the current year, a decrease of \$4.5 million compared to the prior year. Total net position includes \$1.2 million in capital assets, which is not available to cover current expenses. The remaining net position is unrestricted and available to cover current operating and capital needs of the fund.

CITY OF BAKERSFIELD

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of June 30 of the current fiscal year amounts to \$2.2 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, bridges and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$38.6 million. Of this amount, \$43.5 million relates to Governmental Activities and is offset by the remaining \$4.9 million that relates to Business-Type Activities. Depreciation expense of \$91.5 million exceeded additions to capital assets by this amount.

These financial statements include infrastructure assets constructed or acquired through fiscal year 2013-14.

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

- A variety of street construction projects and rehabilitation of major arterial streets. Construction in progress for governmental activities as of the end of the current fiscal year is \$37.5 million. This figure includes over \$34.8 million towards major street construction, traffic signal, and resurfacing projects throughout the City.
- The City added over \$10.5 million (\$10.5 million in 2013-14 and \$29.4 million in prior years) in new streets and roads primarily due to new residential developments completed in the current year. These newly constructed right of ways are transferred over to the City by the various developers when the work is finalized. An additional \$29.4 million in assets was added as part of a prior period adjustment.

City of Bakersfield - Capital Assets

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land and water storage rights	\$ 419,169	\$ 423,216	\$ 25,704	\$ 21,126	\$ 444,873	\$ 444,342
Land held for resale	3,401	2,779	-	-	3,401	2,779
Depreciable buildings, property, equipment and infrastructure, net	811,248	840,965	805,414	816,448	1,616,662	1,657,413
Construction in progress	27,113	37,488	15,614	4,220	42,727	41,708
Non-amortizable intangible assets	-	-	31,477	31,477	31,477	31,477
Total Capital Assets	\$ 1,260,931	\$ 1,304,448	\$ 878,209	\$ 873,271	\$ 2,139,140	\$ 2,177,719

CITY OF BAKERSFIELD

Management's Discussion and Analysis

City of Bakersfield - Outstanding Debt

	Balance June 30, 2013	Incurred or Issued	Satisfied or Matured	Balance June 30, 2014
Governmental Activities				
Loans payable	\$ 4,423,000	\$ 170,173	\$ (443,124)	\$ 4,150,049
Certificates of Participation*	22,725,000	-	(2,085,000)	20,640,000
Total governmental activities	<u>\$ 27,148,000</u>	<u>\$ 170,173</u>	<u>\$ (2,528,124)</u>	<u>\$ 24,790,049</u>
Business-Type Activities				
Revenue Bonds Payable	\$ 208,827,318	\$ -	\$ (8,591,064)	\$ 200,236,254
Loans Payable	6,017,009	-	(752,125)	5,264,884
Total business-type activities	<u>\$ 214,844,327</u>	<u>\$ -</u>	<u>\$ (9,343,189)</u>	<u>\$ 205,501,138</u>
Total Debt	<u>\$ 241,992,327</u>	<u>\$ 170,173</u>	<u>\$ (11,871,313)</u>	<u>\$ 230,291,187</u>

* Certificates of Participation in governmental activities is debt of the former Redevelopment Agency that is now reported as City debt.

- **Long-Term Debt** - At the end of the current fiscal year, the City had a total debt outstanding of \$230.3 million. The City's total debt decreased by a net amount of \$11.7 million during the current fiscal year. Of that amount \$6.7 million is the result of normal debt maturities with the remaining \$5.0 million due to a partial redemption payment on the Wastewater Revenue Refunding Bonds Series 2012A. The City did not incur any new major debt this fiscal year.

Certificates of Participation issued by the City in 2006 carry a Reserve Fund Surety from Ambac Assurance Company (Ambac). Ambac filed for a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Moody's Investor's Service (Moody's) rating on Ambac is currently "Caa2". The current underlying rating on the Certificates has not been revised (currently "A2"). Such reduced rating on the Certificates reflects only the view of Moody's, and any desired explanation of the significance of such rating should be obtained from Moody's. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised or withdrawn by Moody's if, in the judgment of Moody's, circumstances so warrant.

The 2007 Wastewater Revenue Bonds - Series A issued by the City in 2007 to fund the new wastewater treatment plant construction carry a Reserve Fund Surety from Financial Security Assurance Inc. Moody's has lowered its rating on Financial Security Assurance Inc. for the Series A Bonds, from "Aaa" to "Aa3" and an underlying "A1" rating.

The 2012 Wastewater Revenue Bonds - Series A issued by the City in 2012, which refinanced the 2007 Wastewater Revenue Bonds - Series B, has an "Aa2/VMIG1" rating from Moody's. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised or withdrawn by Moody's if, in the judgment of Moody's, circumstances so warrant. The City did not elect to establish a debt service reserve fund for this debt, but does carry a Standby Bond Purchase Agreement with JP Morgan.

More detailed information regarding capital asset and long-term debt activity can be found in the related notes to the financial statements. See Note 5 page 63 for capital assets, and Note 11 page 70 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 resources of \$2.7 million and an increase in appropriations of \$6.5 million. Significant budgetary amendments (changes) are summarized as follows:

- \$1,070,495 increase in various resources and appropriations due to revenues associated with open purchase orders at the end of the previous fiscal year. Also, \$473,904 increase in various resources due to revenues associated with prior year appropriations not spent and carried forward to this fiscal year.
- \$1.8 million increase in resources and appropriations for Fire Station 8 rehabilitation project.
- \$1.0 million increase in appropriations to restore the balance in the Facility Reserve Fund.

The final amended revenue estimate budget figures in the General Fund were lower than actual revenue by \$12.7 million and appropriations were higher than actual expenditures by \$11.0 million. Significant differences between budget and actual amounts are as follows:

- \$7.2 million positive variance in tax revenue is primarily from sales and use tax. The City has continued to have uncertainty as to the level of revenues from sales taxes because of the economy. The estimates made from this revenue source were conservative in nature while the actual revenue received was better than expected.
- \$1.2 million negative variance in intergovernmental revenue is due to less federal revenue received for Police grants awarded late in the fiscal year. The related programs had not completely been put in place and, because these are reimbursement based grants, revenue had not been recorded.
- \$1.0 million positive variance in licenses and permits revenue is due primarily to increased development activities.
- \$3.3 million positive variance in charges for services is due primarily to more conservative estimates by all departments as to the use of the City's various services. Specifically, there was an increase in development activity.
- \$3.5 million variance of appropriations over actual expenditures in the Police Department. The savings are due primarily to benefit savings from unfilled positions and plus some grant funded projects that were budgeted but not started.
- \$3.4 million variance of appropriations over actual expenditures in Departments other than Police are also due primarily to salary and benefit savings from unfilled positions.
- \$4.0 million variance of appropriations over actual expenditures in non-departmental. Of that amount \$2.5 million is related to anticipated increases in retirement contributions that were budgeted for the year. This was a reservation of funds to address multi-year anticipated rate increases. The actual increases will be blended into departmental operating budgets over the next few years. Another \$1.0 million is due to a decrease in the OPEB annual required contribution that was based on the most recent actuarial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key assumptions in the General Fund revenue forecast for fiscal year 2014-15 were:

1. Property tax revenue is projected to show growth at 5% compared to last year's estimate of 3% as projected by Kern County.
2. Sales and use tax revenue estimates are projected to increase by 3% compared to last years' revised 2% increase.

CITY OF BAKERSFIELD**Management's Discussion and Analysis**

3. One time monies of \$2.0 million are set aside to provide a buffer against the estimated California Public Employees' Retirement System (CalPERS) increases over the next few years and the City's Annual Required Contribution for retiree healthcare decreased to \$6.4 million and is fully budgeted.

New items specifically addressed in the 2014-15 budget include the following:

Police Department – The Police Department's operating budget has increased from fiscal year 2013-14 by 2.1%, totaling \$8.2 million. This budget reflects the restoration of ten positions, five sworn and five civilian.

Public Works – The Public Works Department's operating budget has increased from fiscal year 2013-14 by 2.4%, totaling \$110.3 million. City Council approved the restoration of seven positions.

Recreation and Parks – The Recreation and Parks Department's operating budget has increased from fiscal year 2013-14 by 6.8%, totaling \$19.3 million. This budget reflects the restoration of one position due to significant increases in recreation program activities. Notable increases in this department include an increase to the water budget due to an increase in acreage and increases in water rates.

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@bakersonline.com. Formal written requests should be addressed to: City of Bakersfield, Attn: Finance Department, 1600 Truxtun Avenue, Bakersfield, CA 93301.



CITY OF BAKERSFIELD

**Statement of Net Position
June 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and investments	\$ 217,516,534	\$ 141,804,143	\$ 359,320,677
Accounts receivable, net	26,325,719	5,392,060	31,717,779
Interest receivable	311,834	278,747	590,581
Notes/loans receivable - current	513,140	-	513,140
Due from other governmental agencies	59,234,477	1,017,006	60,251,483
Internal balances	(1,697)	1,697	-
Prepayments and inventories	1,213,585	-	1,213,585
Total current assets	305,113,592	148,493,653	453,607,245
Noncurrent assets:			
Capital assets:			
Land	423,216,067	21,126,467	444,342,534
Land held for resale	2,779,202	-	2,779,202
Depreciable buildings, property, equipment and infrastructure, net	840,964,773	816,448,438	1,657,413,211
Construction in progress	37,487,799	4,219,903	41,707,702
Non-amortizable intangible assets	-	31,476,906	31,476,906
Notes/loans receivable	10,780,599	1,471,973	12,252,572
Total noncurrent assets	1,315,228,440	874,743,687	2,189,972,127
Total assets	1,620,342,032	1,023,237,340	2,643,579,372
Deferred Outflows of Resources:			
Total deferred outflows of resources	-	-	-
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	28,236,348	9,704,829	37,941,177
Customers' deposits	-	6,897,393	6,897,393
Advances from grantors and third parties	7,588,069	1,495,024	9,083,093
Total current liabilities	35,824,417	18,097,246	53,921,663
Noncurrent liabilities:			
Due within one year:			
Long-term debt	2,619,672	5,443,189	8,062,861
Capital leases payable	-	529,179	529,179
Kern River Levee District	-	214,472	214,472
Claims and judgments payable	8,792,165	-	8,792,165
Compensated absences payable	7,505,283	1,452,806	8,958,089
Due in more than one year:			
Long-term debt	22,170,377	200,057,949	222,228,326
Capital leases	-	20,135,758	20,135,758
Claims and judgments payable	24,401,000	-	24,401,000
Net post-employment benefit obligation	(2,145,107)	-	(2,145,107)
Compensated absences payable	6,830,351	699,363	7,529,714
Total noncurrent liabilities	70,173,741	228,532,716	298,706,457
Total liabilities	105,998,158	246,629,962	352,628,120
Deferred Inflows of Resources:			
Total deferred inflows of resources	-	-	-
Net Position:			
Net investment in capital assets	1,279,657,792	647,105,639	1,926,763,431
Restricted:			
Capital improvements	21,015,837	20,209,227	41,225,064
Unrestricted	213,670,245	109,292,512	322,962,757
Total net position	\$ 1,514,343,874	\$ 776,607,378	\$ 2,290,951,252

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



CITY OF BAKERSFIELD
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 10,274,285	\$ 5,019,511	\$ 413,672	\$ -	\$ 5,433,183
Public safety - Police	80,192,752	2,938,734	2,690,171	-	5,628,905
Public safety - Fire	36,086,851	4,937,490	369,816	-	5,307,306
Public works	104,347,771	23,780,578	1,606,249	101,400,037	126,786,864
Recreation & parks	34,641,180	14,348,050	44,974	2,149,215	16,542,239
Community development	9,940,984	5,221,585	6,508,910	522,370	12,252,865
Interest on long-term debt	166,472	-	-	-	-
Total governmental activities	275,650,295	56,245,948	11,633,792	104,071,622	171,951,362
Business-type activities:					
Wastewater treatment	41,979,698	31,148,327	7,137,560	12,135,837	50,421,724
Refuse collection	45,336,786	42,100,981	-	-	42,100,981
Agricultural water	5,051,433	4,233,197	-	5,043	4,238,240
Domestic water	25,613,917	24,423,144	1,463,999	4,597,953	30,485,096
General aviation	462,690	303,223	-	537,982	841,205
Offstreet parking	160,613	67,150	-	-	67,150
Total business-type activities	118,605,137	102,276,022	8,601,559	17,276,815	128,154,396
Total primary government	\$ 394,255,432	\$ 158,521,970	\$ 20,235,351	\$ 121,348,437	\$ 300,105,758

Net (Expense) Revenue and Charges in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (4,841,102)	\$ -	\$ (4,841,102)
(74,563,847)	-	(74,563,847)
(30,779,545)	-	(30,779,545)
22,439,093	-	22,439,093
(18,098,941)	-	(18,098,941)
2,311,881	-	2,311,881
(166,472)	-	(166,472)
(103,698,933)	-	(103,698,933)
-	8,442,026	8,442,026
-	(3,235,805)	(3,235,805)
-	(813,193)	(813,193)
-	4,871,179	4,871,179
-	378,515	378,515
-	(93,463)	(93,463)
-	9,549,259	9,549,259
(103,698,933)	9,549,259	(94,149,674)

General Revenues:

Taxes:		
Property taxes	66,614,853	66,614,853
Sales and use tax	72,442,177	72,442,177
Other taxes	988,423	988,423
Intergovernmental, unrestricted	152,400	152,400
Unrestricted grants and contributions	23,829,193	23,829,193
Investment earnings	948,629	2,424,676
Miscellaneous	1,683,631	1,683,631
Gain (loss) on sale of property	36,039	(4,439,038)
Transfers	1,489,500	(1,489,500)
Total general revenues and transfers	168,184,845	164,680,983
Change in net position before Extraordinary Item	64,485,912	6,045,397
Extraordinary loss on Successor Agency loan write-downs	(936,660)	-
Change in net position	63,549,252	6,045,397
Net Position - Beginning of year, as restated	1,450,794,622	770,561,981
Net position - End of Year	\$ 1,514,343,874	\$ 776,607,378

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



CITY OF BAKERSFIELD

**Balance Sheet
Governmental Funds
June 30, 2014**

	General Fund	Transient Occupancy Taxes	Community Development Block Grant	Gas Tax & Road Fund
Assets:				
Cash and investments	\$ 33,365,422	\$ 2,382,971	\$ 164,449	\$ -
Accounts receivable, net	1,423,293	1,262,862	13,596,473	22,031
Interest receivable	92,425	8,570	-	15,975
Due from other governmental agencies	13,498,519	-	479,520	41,689,606
Due from other funds	20,332,632	-	-	-
Notes/loans receivable	-	-	2,845,649	-
Prepaid items	2,181	-	-	-
Total assets	\$ 68,714,472	\$ 3,654,403	\$ 17,086,091	\$ 41,727,612
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts payable	\$ 6,586,356	\$ 74,356	\$ 238,513	\$ 9,880,507
Due to other governmental agencies	2,072,744	-	-	-
Due to other funds	-	-	-	20,103,663
Advances from grantors and third parties	1,286,529	-	-	-
Total liabilities	9,945,629	74,356	238,513	29,984,170
Deferred Inflows of Resources:				
Unearned revenue	4,211,949	-	16,425,998	22,031
Fund Balances:				
Nonspendable	3,181	-	-	-
Restricted	-	-	421,580	11,721,411
Committed	13,464,704	93,972	-	-
Assigned	34,586,157	3,486,075	-	-
Unassigned	6,502,852	-	-	-
Total fund balances	54,556,894	3,580,047	421,580	11,721,411
Total liabilities, deferred inflows of resources, and fund balances	\$ 68,714,472	\$ 3,654,403	\$ 17,086,091	\$ 41,727,612

Capital Outlay	Park Improvement	Transportation Development	Other Governmental Funds	Total Governmental Funds
\$ 67,255,720	\$ 9,300,441	\$ 44,546,241	\$ 8,908,214	\$ 165,923,458
-	-	-	9,931,476	26,236,135
12,711	15,136	59,390	10,073	214,280
1,674,540	-	1,462,671	396,749	59,201,605
-	-	-	-	20,332,632
-	-	-	6,159,671	9,005,320
184,500	-	-	-	186,681
\$ 69,127,471	\$ 9,315,577	\$ 46,068,302	\$ 25,406,183	\$ 281,100,111
\$ 1,265,751	\$ 2,352,434	\$ 3,147,238	\$ 126,445	\$ 23,671,600
-	-	-	55,136	2,127,880
-	-	-	228,969	20,332,632
-	-	-	6,301,539	7,588,068
1,265,751	2,352,434	3,147,238	6,712,089	53,720,180
46,606	-	-	9,821,248	30,527,832
-	-	-	-	3,181
-	-	-	8,872,846	21,015,837
12,365,924	6,963,143	42,921,064	-	75,808,807
55,449,190	-	-	-	93,521,422
-	-	-	-	6,502,852
67,815,114	6,963,143	42,921,064	8,872,846	196,852,099
\$ 69,127,471	\$ 9,315,577	\$ 46,068,302	\$ 25,406,183	\$ 281,100,111

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

CITY OF BAKERSFIELD

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2014**

Total Fund Balances - Total Governmental Funds \$ 196,852,099

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Capital assets allocated from Internal Service Funds are included in the Internal Service Funds adjustment below.

Capital assets	\$ 2,188,645,245	
Ending accumulated depreciation	<u>(884,197,404)</u>	<u>1,304,447,841</u>

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (319,843)

Deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds. 30,527,832

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 Position. 19,098,400

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

Notes/Contracts/Loans payable	(24,790,049)	
Compensated absences payable	(13,617,513)	
Unfunded post-retirement employee benefits	<u>2,145,107</u>	<u>(36,262,455)</u>

Net Position of Governmental Activities \$ 1,514,343,874



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, 2014**

	General Fund	Transient Occupancy Taxes	Community Development Block Grant	Gas Tax & Road Fund
Revenues:				
Taxes	\$ 149,394,000	\$ 8,826,003	\$ -	\$ -
Licenses and permits	3,439,743	-	-	-
Intergovernmental	2,962,685	-	5,358,955	58,456,014
Charges for services	20,568,887	6,267,450	19	-
Fines, forfeitures and assessments	919,484	-	-	111,035
Interest income	858,307	36,107	3,207	78,858
Loan payments	-	-	247,775	-
Contributions and donations	453,888	1,200,000	-	-
Other income	1,134,803	621,671	11,496	22,762
Total revenues	179,731,797	16,951,231	5,621,452	58,668,669
Expenditures:				
Current:				
General government	11,519,507	-	-	-
Public safety - Police	76,450,461	-	-	-
Public safety - Fire	33,781,870	-	-	-
Public works	24,425,408	-	-	61,990
Recreation and parks	18,439,152	7,841,088	-	-
Community development	6,879,140	-	3,085,505	-
Non departmental	6,589,727	3,143,000	-	-
Capital outlay	-	-	1,891,618	52,550,693
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	178,085,265	10,984,088	4,977,123	52,612,683
Excess (deficiency) of revenues over (under) expenditures	1,646,532	5,967,143	644,329	6,055,986
Other financing sources (uses):				
Transfers in	1,100,000	-	-	-
Transfers out	(10,095,532)	(4,554,124)	(584,434)	-
Total other financing sources (uses)	(8,995,532)	(4,554,124)	(584,434)	-
Net change in fund balances	(7,349,000)	1,413,019	59,895	6,055,986
Fund balances - beginning as restated	61,905,894	2,167,028	361,685	5,665,425
Fund balances - ending	\$ 54,556,894	\$ 3,580,047	\$ 421,580	\$ 11,721,411

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

Capital Outlay	Park Improvement	Transportation Development	Other Governmental Funds	Total Governmental Funds
\$ 4,974,371	\$ -	\$ -	\$ 175,000	\$ 163,369,374
-	-	-	204,284	3,644,027
41,650,166	-	1,462,671	2,619,006	112,509,497
85,130	-	182,660	1,204,826	28,308,972
-	2,149,215	21,300,984	1,252,064	25,732,782
157,012	78,761	311,384	81,032	1,604,668
-	-	-	4,000	251,775
554,044	-	-	-	2,207,932
274,065	-	409,695	27,935	2,502,427
47,694,788	2,227,976	23,667,394	5,568,147	340,131,454
-	-	368,958	-	11,888,465
-	-	-	1,053,807	77,504,268
-	-	-	1,113,203	34,895,073
-	-	1,029,968	226,989	25,744,355
-	-	-	29,363	26,309,603
-	-	-	1,356,649	11,321,294
313,619	37,158	-	642,875	10,726,379
18,028,531	340,317	20,789,510	1,391,876	94,992,545
-	-	-	443,124	443,124
-	-	-	195,434	195,434
18,342,150	377,475	22,188,436	6,453,320	294,020,540
29,352,638	1,850,501	1,478,958	(885,173)	46,110,914
14,330,632	-	-	638,558	16,069,190
-	-	-	(1,100,000)	(16,334,090)
14,330,632	-	-	(461,442)	(264,900)
43,683,270	1,850,501	1,478,958	(1,346,615)	45,846,014
24,131,844	5,112,642	41,442,106	10,219,461	151,006,085
\$ 67,815,114	\$ 6,963,143	\$ 42,921,064	\$ 8,872,846	\$ 196,852,099

CITY OF BAKERSFIELD

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Fiscal Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 45,846,014

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 the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are added back to fund balance.	\$ 29,257,560	
Depreciation expense is deducted from fund balance (net of Internal Service Fund depreciation of \$5,186,608 which has already been allocated to serviced funds).	(62,437,479)	
Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands.	<u>49,017,117</u>	<u>15,837,198</u>

Certain expense are reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in Governmental Funds.

Net change in long-term compensated absences	94,225	
Interest expense on long-term debt	28,962	
Other post-employment benefits	<u>374,811</u>	497,998

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

2,363,952

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 end of the year. This adjustment records a net decrease in revenues - unavailable revenues at the beginning of the year exceed ending unavailable revenues by this amount.

(722,593)

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 is reported with Governmental Activities.

642,898

Gain on disposal of governmental fixed assets are not recorded in fund activity but are included in Governmental Activities

20,445

Extraordinary loss on write-down of loans from Internal Service Funds to the former redevelopment agency

(936,660)

Change in Net Position of Governmental Activities \$ 63,549,252

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 is 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 Kern 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 for 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 offstreet surface parking lots within the City. The 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 Position
Proprietary Funds
June 30, 2014**

	Wastewater Treatment	Refuse Collection	Agricultural Water	Domestic Water	General Aviation	Offstreet Parking	Totals	Governmental Activities Internal Service Funds
Assets								
Current assets:								
Cash and investments	\$ 75,184,472	\$ 19,088,252	\$ 4,944,386	\$ 41,915,378	\$ 589,006	\$ 82,649	\$ 141,804,143	\$ 51,593,076
Accounts receivable, net	826,287	897,965	1,943,786	1,723,292	-	730	5,392,060	89,584
Interest receivable	144,074	40,218	12,076	81,117	1,172	90	278,747	97,557
Notes/loans receivable	-	-	-	-	-	-	-	513,140
Due from other governmental agencies	122,342	619,641	435	-	274,588	-	1,017,006	32,873
Prepayments and inventories	-	-	-	-	-	-	-	1,026,904
Total current assets	76,277,175	20,646,076	6,900,683	43,719,787	864,766	83,469	148,491,956	53,353,134
Noncurrent assets:								
Capital assets:								
Land	10,238,095	-	2,467,016	547,102	7,464,254	410,000	21,126,467	-
Depreciable buildings, property, equipment and infrastructure, net	633,769,248	-	9,053,353	170,554,482	2,330,031	741,324	816,448,438	29,368,815
Construction in progress	2,943,550	-	-	610,727	665,626	-	4,219,903	-
Non-amortizable intangible assets	-	-	8,032,678	23,444,228	-	-	31,476,906	-
Notes/loans receivable	-	-	-	-	-	-	-	1,775,280
Other long-term receivable	1,075,283	-	40,140	278,140	-	78,410	1,471,973	-
Total noncurrent assets	648,026,176	-	19,593,187	195,434,679	10,459,911	1,229,734	874,743,687	31,144,095
Total assets	724,303,351	20,646,076	26,493,870	239,154,466	11,324,677	1,313,203	1,023,235,643	84,497,229
Liabilities:								
Current liabilities								
Accounts payable and accrued liabilities	4,323,711	2,767,193	235,345	2,027,784	348,204	2,592	9,704,829	2,117,031
Claims payable	-	-	-	-	-	-	-	3,770,165
Workers' compensation claims	-	-	-	-	-	-	-	5,022,000
Compensated absences payable	259,360	683,698	273,291	216,699	19,758	-	1,452,806	480,216
Long-term debt - due within one year	5,443,189	-	-	-	-	-	5,443,189	-
Capital leases payable - due within one year	-	-	-	529,179	-	-	529,179	-
Total current liabilities	10,026,260	3,450,891	508,636	2,773,662	367,962	2,592	17,130,003	11,389,412
Noncurrent liabilities:								
Long-term debt - due in more than one year	200,057,949	-	-	-	-	-	200,057,949	-
Capital leases payable - due in more than one year	-	-	-	20,135,758	-	-	20,135,758	-
Kern River Levee District/Buena Vista	-	-	214,472	-	-	-	214,472	-
Customers' deposits	4,176,724	344,299	-	2,376,370	-	-	6,897,393	-
Workers' compensation claims	-	-	-	-	-	-	-	24,401,000
Compensated absences payable	300,080	357,930	21,945	19,408	-	-	699,363	237,905
Advances from grantors and third parties	1,075,283	141,601	-	278,140	-	-	1,495,024	-
Total noncurrent liabilities	205,610,036	843,830	236,417	22,809,676	-	-	229,499,959	24,638,905
Total liabilities	215,636,296	4,294,721	745,053	25,583,338	367,962	2,592	246,629,962	36,028,317
Net position:								
Net investment in capital assets	441,449,755	-	19,553,047	174,491,602	10,459,911	1,151,324	647,105,639	29,368,815
Restricted for:								
Capital improvements	20,209,227	-	-	-	-	-	20,209,227	-
Unrestricted	47,008,073	16,351,355	6,195,770	39,079,526	496,804	159,287	109,290,815	19,100,097
Total net position	\$ 508,667,055	\$ 16,351,355	\$ 25,748,817	\$ 213,571,128	\$ 10,956,715	\$ 1,310,611	776,605,681	\$ 48,468,912
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds							1,697	
Net position of business-type activities							\$ 776,607,378	

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

CITY OF BAKERSFIELD

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014**

	Wastewater Treatment	Refuse Collection	Agricultural Water
Operating revenues:			
Intergovernmental	\$ -	\$ 190,444	\$ -
Charges for services	30,110,525	39,609,626	1,921,072
Cost recoveries	621,779	2,022,021	423,960
Rental income	377,229	-	11,938
Other sales or services	376	55,338	1,876,183
Miscellaneous	38,418	223,553	45
Total operating revenues	31,148,327	42,100,982	4,233,198
Operating expenses:			
General and administrative	13,944,216	42,251,687	4,323,100
Transmission and distribution	321,205	3,042,123	235,377
Workers compensation payments	-	-	-
Claims paid	-	-	-
Depreciation and amortization	18,875,047	-	488,197
Compensated absences	-	-	-
Total operating expenses	33,140,468	45,293,810	5,046,674
Operating income (loss)	(1,992,141)	(3,192,828)	(813,476)
Nonoperating revenues (expenses):			
Interest income	1,324,967	481,541	80,844
Connection fees	7,137,560	-	-
Interest expense	(8,816,345)	-	-
Gain/(loss) on sale of real property	-	25,791	-
Total nonoperating revenues	(353,818)	507,332	80,844
Income (loss) before transfers and capital contributions	(2,345,959)	(2,685,496)	(732,632)
Capital contributions	12,135,837	-	5,043
Transfers in	-	-	-
Transfers out	(455,000)	(1,047,500)	(17,000)
Income (loss) before extraordinary item	9,334,878	(3,732,996)	(744,589)
Extraordinary item:			
Loss on Successor Agency loan write-down	-	-	-
Change in net position	9,334,878	(3,732,996)	(744,589)
Total Net Position - Beginning of Year - as restated	499,332,177	20,084,351	26,493,406
Total Net Position-End of Year	\$ 508,667,055	\$ 16,351,355	\$ 25,748,817

Adjustment to reflect the consolidation of internal service funds related to proprietary funds.

Change in net position of business-type activities

Domestic Water	General Aviation	Offstreet Parking	Totals	Governmental Activities Internal Service Funds
\$ -	\$ 10,000	\$ -	\$ 200,444	\$ -
21,831,998	291,205	67,150	93,831,576	32,415,060
114,559	2,018	-	3,184,337	1,533,936
-	-	-	389,167	-
2,474,997	-	-	4,406,894	-
1,589	-	-	263,605	23,200
24,423,143	303,223	67,150	102,276,023	33,972,196
18,647,408	233,369	83,998	79,483,778	27,853,943
1,741,550	43,433	-	5,383,688	-
-	-	-	-	2,475,201
-	-	-	-	810,813
4,253,732	185,570	75,980	23,878,526	5,186,608
9,598	-	-	9,598	7,215
24,652,288	462,372	159,978	108,755,590	36,333,780
(229,145)	(159,149)	(92,828)	(6,479,567)	(2,361,584)
528,139	8,297	888	2,424,676	656,316
1,463,999	-	-	8,601,559	-
(961,060)	-	-	(9,777,405)	-
13,431	-	(4,478,260)	(4,439,038)	126,283
1,044,509	8,297	(4,477,372)	(3,190,208)	782,599
815,364	(150,852)	(4,570,200)	(9,669,775)	(1,578,985)
4,597,953	537,982	-	17,276,815	395,343
-	-	30,000	30,000	1,808,852
-	-	-	(1,519,500)	(54,452)
5,413,317	387,130	(4,540,200)	6,117,540	570,758
-	-	-	-	(936,660)
5,413,317	387,130	(4,540,200)	6,117,540	(365,902)
208,157,811	10,569,585	5,850,811		48,834,814
\$ 213,571,128	\$ 10,956,715	\$ 1,310,611		\$ 48,468,912
			(72,143)	
			\$ 6,045,397	

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

CITY OF BAKERSFIELD

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

	Wastewater Treatment	Refuse Collection
Cash flows from operating activities:		
Cash received from:		
Customers, including cash deposits	\$ 31,370,586	\$ 42,501,112
Prior year reimbursements and cost recoveries	612,673	-
Cash paid to:		
Suppliers	(9,003,719)	(35,212,456)
Employees	(5,577,913)	(10,215,770)
Cash deposits returned to customers	-	-
Net cash provided (used) by operating activities	<u>17,401,627</u>	<u>(2,927,114)</u>
Cash flows from noncapital financing activities:		
Cash transferred from other funds	-	-
Cash transferred to other funds	(455,000)	(1,047,500)
County/developer project share	-	-
Connection fees	<u>7,137,560</u>	-
Net cash provided (used) by noncapital financing activities	<u>6,682,560</u>	<u>(1,047,500)</u>
Cash flows from capital and related financing activities:		
Principal payments:		
Notes/Loans/Bonds	(9,012,126)	-
Capital lease payments	-	-
Capital contributions	-	-
Interest paid	(9,192,337)	-
Purchase of capital assets	-	-
Proceeds from sale of capital assets	-	25,791
Construction in progress	<u>(5,242,606)</u>	-
Net cash provided (used) by noncapital financing activities	<u>(23,447,069)</u>	<u>25,791</u>
Cash flows from investing activities:		
Interest received	783,859	315,955
Net increase (decrease) in the fair value of investments	<u>520,314</u>	<u>166,711</u>
Net cash provided by investing activities	<u>1,304,173</u>	<u>482,666</u>
Net increase (decrease) in cash and investments	1,941,291	(3,466,157)
Cash and investments - Beginning of year	<u>73,243,181</u>	<u>22,554,409</u>
Cash and investments - End of year	<u>\$ 75,184,472</u>	<u>\$ 19,088,252</u>

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

Agriculture Water	Domestic Water	General Aviation	Offstreet Parking	Totals	Governmental Activities Internal Service Funds
\$ 3,845,463	\$ 24,906,871	\$ 48,118	\$ 69,505	\$ 102,741,655	\$ 32,539,012
-	-	2,018	-	614,691	1,533,936
(2,863,941)	(19,518,310)	57,837	(83,777)	(66,624,366)	(20,496,279)
(1,716,413)	(1,005,530)	-	-	(18,515,626)	(7,704,722)
-	<u>(136,801)</u>	-	-	<u>(136,801)</u>	-
<u>(734,891)</u>	<u>4,246,230</u>	<u>107,973</u>	<u>(14,272)</u>	<u>18,079,553</u>	<u>5,871,947</u>
-	-	-	30,000	30,000	1,808,852
(17,000)	-	-	-	(1,519,500)	(54,452)
-	-	-	-	-	-
-	<u>1,463,999</u>	-	-	<u>8,601,559</u>	-
<u>(17,000)</u>	<u>1,463,999</u>	-	<u>30,000</u>	<u>7,112,059</u>	<u>1,754,400</u>
-	-	-	-	(9,012,126)	-
-	(509,258)	-	-	(509,258)	-
5,043	-	537,982	-	543,025	-
-	(961,060)	-	-	(10,153,397)	-
-	-	(643,814)	-	(643,814)	(4,866,465)
-	13,431	-	20,589	59,811	277,475
-	<u>(324,721)</u>	-	-	<u>(5,567,327)</u>	-
<u>5,043</u>	<u>(1,781,608)</u>	<u>(105,832)</u>	<u>20,589</u>	<u>(25,283,086)</u>	<u>(4,588,990)</u>
39,721	250,442	4,022	610	1,394,609	308,715
<u>41,167</u>	<u>260,686</u>	<u>4,119</u>	<u>265</u>	<u>993,262</u>	<u>334,615</u>
<u>80,888</u>	<u>511,128</u>	<u>8,141</u>	<u>875</u>	<u>2,387,871</u>	<u>643,330</u>
(665,960)	4,439,749	10,282	37,192	2,296,397	3,680,687
<u>5,610,346</u>	<u>37,475,629</u>	<u>578,724</u>	<u>45,457</u>	<u>139,507,746</u>	<u>47,912,389</u>
<u>\$ 4,944,386</u>	<u>\$ 41,915,378</u>	<u>\$ 589,006</u>	<u>\$ 82,649</u>	<u>\$ 141,804,143</u>	<u>\$ 51,593,076</u>

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

CITY OF BAKERSFIELD

Statement of Cash Flows (concluded)

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

	Wastewater Treatment	Refuse Collection
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating income (loss)	\$ (1,992,141)	\$ (3,192,828)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	18,875,047	-
(Increase) decrease in accounts receivable	(34,622)	338,841
(Increase) decrease in inventories	-	-
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable	(260,000)	(30,449)
Increase in workers' compensation claims	-	-
Increase (decrease) in deferred revenue	-	51,508
Increase (decrease) in customers' deposits	869,554	9,781
Increase (decrease) in compensated absences	(56,211)	(103,967)
Net cash provided (used) by operating activities	<u>\$ 17,401,627</u>	<u>\$ (2,927,114)</u>
Noncash investing capital, and financing activities:		
Contribution of equipment from other departments	\$ -	\$ -
Contributions of infrastructure and improvements by developers	\$ 12,135,837	\$ -

Agriculture Water	Domestic Water	General Aviation	Offstreet Parking	Totals	Governmental Activities Internal Service Funds
\$ (813,476)	\$ (229,145)	\$ (159,149)	\$ (92,828)	\$ (6,479,567)	\$ (2,361,584)
488,197	4,253,732	185,570	75,980	23,878,526	5,186,608
(430,465)	194,172	(253,087)	2,355	(182,806)	100,752
-	-	-	-	-	(42,471)
-	-	-	-	-	83,000
(5,374)	(134,882)	333,461	221	(97,023)	860,299
-	-	-	-	-	2,107,781
-	-	-	-	51,508	-
42,730	152,755	-	-	1,074,820	-
<u>(16,503)</u>	<u>9,598</u>	<u>1,178</u>	<u>-</u>	<u>(165,905)</u>	<u>(62,438)</u>
<u>\$ (734,891)</u>	<u>\$ 4,246,230</u>	<u>\$ 107,973</u>	<u>\$ (14,272)</u>	<u>\$ 18,079,553</u>	<u>\$ 5,871,947</u>
\$ -	\$ 4,597,953	\$ -	\$ -	\$ 4,597,953	\$ 395,343
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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



Fiduciary Fund Financial Statements

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individual private organizations, other governmental units and/or other funds. Detailed combining statements for Fiduciary Funds are located in the Supplementary Information section. Below are descriptions of the generic fund types within this category and specific funds within each fund type.

Private Purpose Trust Funds

Redevelopment Successor Agency - The Bakersfield Redevelopment Agency ceased activities in February 2012. All non-housing related assets, liabilities and activities have been transferred to the City and are accounted for in a trust fund.

Planning Habitat Trust Fund - This fund is used to account for monies collected from developers to be used to purchase suitable land to provide habitat for endangered species. After the land is purchased it is transferred to the State Fish and Game Department for maintenance.

Pension and Other Employee Benefit Trust Funds

Fire Relief and Pension Trust Fund - This 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 2, 1972.

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

Agency Funds

Special Deposits Fund - This 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, and other revenues held in trust pending disposition of contingencies.

Improvement Districts Fund - This 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. In addition, Community Service Districts created for the West Ming and Old River Ranch developments are accounted for in this section. These funds are collected to be used to pay for public safety costs in the applicable communities.

CITY OF BAKERSFIELD**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets:			
Current assets:			
Cash and investments	\$ 14,123,674	\$ 50,833,596	\$ 29,635,131
Retirement system investments	-	990,950	-
Interest receivable	29,531	8,877	31,006
Due from other governmental agencies	1,067,844	-	23,645
Total current assets	15,221,049	51,833,423	29,689,782
Noncurrent assets			
Land held for resale	60,895	-	-
Total noncurrent assets	60,895	-	-
Total assets	15,281,944	51,833,423	29,689,782
Liabilities:			
Payables:			
Accounts payable	3,005	-	3,200
Advances from grantors and third parties	3,815,047	-	-
Deposits	-	-	23,603,764
Accrued bond interest	-	-	1,252,818
Bonds	2,985,000	-	4,830,000
Notes	27,020,633	-	-
Total liabilities	33,823,685	-	29,689,782
Net Position:			
Held in trust for:			
Individuals, organizations and other governments	(18,541,741)	-	-
Pension benefits and other purposes	-	51,833,423	-
	\$ (18,541,741)	\$ 51,833,423	\$ -

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

CITY OF BAKERSFIELD**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014**

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds
Additions		
Contributions to pooled investments	\$ -	\$ 3,578,735
Developer fees	1,608,034	-
Successor agency property tax deposits	3,288,862	-
Intergovernmental	301,203	-
Charges for services/capital lease revenue	3,143,000	-
Other income	11,123	-
Interest income	49,088	4,373,702
Total additions	8,401,310	7,952,437
Deductions:		
Benefits	-	3,706,841
Purchase of uninhabited land	3,411,642	-
Obligation retirement	(1,082,131)	-
Administrative expenses	-	157,138
Total deductions	2,329,511	3,863,979
Change in net position	6,071,799	4,088,458
Net position - beginning of year	(24,613,540)	47,744,965
Net position - end of year	\$ (18,541,741)	\$ 51,833,423

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

CITY OF BAKERSFIELD

Notes to the 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 accounting principles generally accepted in the United States of America 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 "County"). 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 accounting principles generally accepted in the United States of America (GAAP), 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. Each blended and discretely presented component unit has a June 30 year-end.

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

The Government-Wide financial statements (the statement of net position and the statement of activities) report information of all of the non-fiduciary 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. Internal activities for services provided and used that are not eliminated includes water, solid waste and sewer services provided to various other functions of the government. These statements distinguish between the *governmental* and *business-type activities* of the City. 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 position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. 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.



CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B. Basis of Presentation (continued)***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 non-major funds.

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

The City reports the following major governmental funds:

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

Transient Occupancy Taxes Fund - The Transient Occupancy Taxes 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. This fund is also used to account for the operations of the Greater Bakersfield Convention and Visitors Bureau division of the City.

Community Development Block Grant Fund - The 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 - 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, including the Federal earmark Thomas Roads funds.

Capital Outlay Fund - The Capital Outlay Fund is used to account for the cost of capital projects financed by local revenues and various grant/loan proceeds for capital expenditures. This fund also accounts for the special Utility Franchise/Surcharge Fund created by the City Council to account for the specified local road project costs funded by the selected electricity and gas franchise surcharge fees. In addition, funds contributed by the County to be used to cover a portion of the costs of local match needed for the Thomas Roads projects are accounted for in this fund.

Park Improvement Fund - The Park Improvement 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).

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B. Basis of Presentation (continued)**

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

The City reports the following major proprietary (enterprise) funds:

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

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

Agricultural Water Fund - The Agricultural Water Fund is used to account for the provision of water service restricted primarily for 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.

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 former Redevelopment Agency and the related debt was retired in 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.

Private Purpose Trust Fund - The Planning Habitat Trust Fund is used to account for monies collected from developers to be used to purchase suitable land to provide habitat for endangered species. After the land is purchased, it is transferred to the State Fish and Game Department for maintenance. The City also records the assets, liabilities and activities of the Redevelopment Successor Agency in a separate trust fund.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B. Basis of Presentation (continued)**

Pension and Other Employee Benefit Trust Funds - The Fire Relief and Pension Trust 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. The Other Post-Employment Benefits (OPEB) Irrevocable Trust Fund is used to account for the City's postretirement medical benefit plan in which the City provides medical insurance coverage through contributions to eligible retirees' insurance premium.

Agency Funds - The Agency Funds account for assets held by the City as an agent for various local governments or other entities. The 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 and other revenues held in trust pending disposition of contingencies. The 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 provides the periodic payment to the bondholders. This fund also accounts for the special assessments and taxes collected within the boundaries of Community Service Districts within the City.

C. Basis of Accounting

The government-wide, proprietary, private purpose trust, pension and other employee benefit trust funds 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 of accounting, 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. The agency funds utilize the accrual basis of accounting to report assets and liabilities but technically have no measurement focus.

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.

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.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Assets, Liabilities, Net Position or Fund Balances, and Other Financial Statement Items**Cash and Investments

Cash balances of each of the City's funds, 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 GASB Statement No. 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 as 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 pooled 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 or finance, and two members who are Treasurer, 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 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.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Assets, Liabilities, Net Position or Fund Balances, and Other Financial Statement Items (continued)**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 thresholds are met.

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible water rights 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 estimated useful life in excess of one year and an initial individual cost of more than \$50,000 for infrastructure and \$5,000 for all other capital assets. 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 70 years
Buildings, structures and improvements	5 to 40 years
Transmission and distribution equipment	5 to 50 years
Rolling equipment	2 to 30 years
Office equipment	3 to 10 years

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 Position. Debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Assets, Liabilities, Net Position or Fund Balances, and Other Financial Statement Items (continued)**

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 Position/Fund Balance

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

- *Net Investment in Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net position. 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 Position* - 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 Position* - This category represents net position of the City, not restricted for any project or other purpose.

As of June 30, 2014, net position is as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets	\$ 1,279,657,792	\$ 647,105,639	\$ 1,926,763,431
Restricted	21,015,837	20,209,227	41,225,064
Unrestricted	<u>213,670,245</u>	<u>109,292,512</u>	<u>322,962,757</u>
Total net position	<u>\$ 1,514,343,874</u>	<u>\$ 776,607,378</u>	<u>\$ 2,290,951,252</u>

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balances for governmental funds are segregated as follows:

- *Nonspendable Fund Balance* – includes net resources that cannot be spent because of their form or because of legal or contractual limitations, must remain intact.
- *Restricted Fund Balance* – includes net resources that have externally enforceable limitations on their use. These limitations can be established by creditors, grantors, or by laws and regulations.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Assets, Liabilities, Net Position or Fund Balances, and Other Financial Statement Items (continued)**

- *Committed Fund Balance* – includes amounts with self-imposed limitations and are set in place prior to the end of the fiscal year. Commitments are set forth by the formal action of the City's highest level of decision-making authority, the City Council, and the limitations require that same level of authority to be removed.
- *Assigned Fund Balance* – includes amounts for which the intended use results in limitations but do not meet the requirements for either the "Restricted" or "Committed" classifications. Intended use can be established by the City Council, a governing committee or board, or by a City official designated as having that authority.
- *Unassigned Fund Balance* – is the residual balance of the General Fund not included in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments through approval of contracts for services and supplies that require City Council authorization through resolution. Fund balance assignments are made by agreements entered into by department heads, and their designees, for specific purposes. The City Council also establishes fund balance assignments through the adoption of the budget and subsequent budget amendments. Assignments are generally temporary and as such, additional action is not usually needed for assignments to be removed. The City Council approved, through resolution, a Fund Balance policy that established these rules for fund balance commitments and assignments in the General Fund. It was not deemed necessary to include a policy to achieve and maintain a specific level of unrestricted fund balance in the General Fund.

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a specific purpose from restricted and unrestricted resources (committed, assigned, and unassigned fund balance). A flow assumption must be made about the order of how these resources are will be applied to properly calculate the amounts reported as restricted, committed, assigned, and unassigned. It is the City's policy to consider restricted fund balance to be used completely before any components of unrestricted fund balance. When the components of unrestricted fund balance are used for the same purpose, the amount classified as committed is used first, followed by assigned, and unassigned is applied last.

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 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 Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Assets, Liabilities, Net Position or Fund Balances, and Other Financial Statement Items (continued)**Cash Flow Statements

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

Use of Estimates

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

E. Stewardship, Compliance, and AccountabilityBudgets and Budgetary Accounting

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

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

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

Budgets are adopted for all governmental fund types and are prepared on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the City Council. During the fiscal year ended June 30, 2014 the City Council approved \$208,567,832 of increases to the originally adopted budget, excluding carryovers of prior year encumbered balances and selected capital appropriations.

Deficit Net Position

The Self Insurance Internal Service Fund reported a deficit in net position of \$2,733,773 at the close of the fiscal year. The deficit was the result of a significant increase in the workers compensation liability calculated in the City's most recent actuarial study. Workers compensation charges can fluctuate significantly from year to year and staff will continue to adjust departmental rates accordingly to maintain sufficient funding levels.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**E. Stewardship, Compliance, and Accountability (continued)****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.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations in the American Recovery and Reinvestment Act (ARRA) Fund by \$27,849 and in the National Stabilization Fund by \$16. These over-expenditures relate to incorrect budget estimates, in the ARRA fund for when grant funded police positions would begin to be paid for by General Fund dollars, and in the National Stabilization Fund in estimates of allocated costs applied from the General Fund. These are technically considered budgetary violations and management will take steps to review periodic budget reports to ensure compliance in the future.

F. New Accounting Pronouncements

During the fiscal year ending June 30, 2014 the City implemented the following standards:

GASB Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. This statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The statement is effective for periods beginning after June 15, 2012. Upon implementation, there was no effect on the City's accounting or financial reporting.

GASB Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. This statement is to improve financial reporting by state and local governmental pension plans. Upon implementation, there was no effect on the City's accounting or financial reporting.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Upon implementation, there was no effect on the City's accounting or financial reporting.

Recently released standards by GASB affecting future years are as follows:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement is to improve accounting and financial reporting by state and local governments for pensions. The City has elected not to early implement GASB Statement No. 68 and has not determined its effects on the City's financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City has elected not to early implement GASB Statement No. 69 and has not determined its effects on the City's financial statements.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**F. New Accounting Pronouncements (continued)**

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment to GASB Statement No. 68*. The objective of this Statement is to address issues regarding the application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The City has elected not to early implement GASB Statement No. 71 and has not determined its effects on the City's financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 359,320,677
Fiduciary funds:	
Cash and investments	94,592,401
Retirement system investments	990,992
	<u>\$ 454,904,070</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 982,087
Deposits with financial institutions	45,782,756
Investments	408,782,177
GASB 31 Market Value Adjustment	(642,950)
	<u>\$ 454,904,070</u>

Investment 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. 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.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 2 - CASH AND INVESTMENTS (continued)

Authorized Investment Types	Maximum Percentage Of Portfolio	Maximum Maturity
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 has \$358,941 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, in absence of specific statutory provisions governing the issuance of the debt, may be invested in accordance with the ordinances, resolutions, or indentures specifying the types of investments the respective bond issue's trustee may make. The obligations described above are authorized per the investment agreements with the bond trustees and include, but are not limited to, Federal Land Bank Bonds, Federal Home Loan Bank notes and bonds, Export-Import Bank notes and guaranteed participation certificates, obligations of or fully guaranteed by the Government National Mortgage Association, Federal National Mortgage Association notes, debentures and guaranteed certificates of participation, obligations of the International Bank of Reconstruction and Development and Federal Home Loan Mortgage Corporation notes, debentures and guaranteed certificates of participation.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As part of the City's investment policy, one of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 2 - CASH AND INVESTMENTS (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:

Investment Type	Remaining Maturity (In Months)			
	12 Months Or Less	13 - 24 Months	25-60 Months	More Than 60 Months
U.S. Government Agency Obligations:				
Federal Farm Credit Bank	\$ 45,000,000	\$ -	\$ 10,000,000	\$ 35,000,000
Federal Home Loan Bank	54,000,000	-	-	54,000,000
Federal Home Loan Mortgage Corp.	54,000,000	-	-	54,000,000
Federal National Mortgage Assn.	55,997,500	-	-	55,997,500
Commercial Paper	-	-	-	-
Bankers Acceptances	-	-	-	-
Time Certificates of Deposit	20,000,000	20,000,000	-	-
U.S. Treasury Bills, Notes, and Bonds	-	-	-	-
Local Agency Investment Fund	100,111,088	100,111,088	-	-
Mutual Funds (1)	79,314,648	79,314,648	-	-
Investment Contracts	358,941	-	-	358,941
Total	<u>\$408,782,177</u>	<u>\$ 199,425,736</u>	<u>\$ 10,000,000</u>	<u>\$ 198,997,500</u>
				<u>\$ 358,941</u>

(1) See Note 17 for Other Post-Employment Benefits

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, or the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. On June 10, 2013 the rating agency of Standard and Poors (S&P) affirmed the AA+ credit rating of the United States government but revised the outlook to stable from negative.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 2 - CASH AND INVESTMENTS (continued)

Investment Type	Minimum Legal Rating	Remaining as of the Year-End		
		AAA	Aa	Not Rated
U.S. Government Agency Obligations:				
Federal Farm Credit Bank	\$ 45,000,000	\$ -	\$ 45,000,000	\$ -
Federal Home Loan Bank	54,000,000	-	54,000,000	-
Federal Home Loan Mortgage Corp.	54,000,000	-	54,000,000	-
Federal National Mortgage Assn.	55,997,500	-	55,997,500	-
Commercial Paper	-	-	-	-
Bankers Acceptances	-	-	-	-
Time Certificates of Deposit	20,000,000	-	-	20,000,000
U.S. Treasury Bills, Notes, and Bonds	-	-	-	-
Local Agency Investment Fund	100,111,088	-	-	100,111,088
Mutual Funds (1)	79,314,648	79,314,648	-	-
Investment Contracts	358,941	-	-	358,941
Total	\$408,782,177	\$ 79,314,648	\$208,997,500	\$120,470,029

(1) See Note 17 for Other Post-Employment Benefits

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 City's total investments are as follows.

Issuer	Investment Type	Reported Amount	Percentage
Federal Farm Credit Bank	Federal Agency Securities	\$ 45,000,000	11%
Federal Home Loan Bank	Federal Agency Securities	54,000,000	13%
Federal Home Loan Mortgage Corp.	Federal Agency Securities	54,000,000	13%
Federal National Mortgage Assn.	Federal Agency Securities	55,997,500	14%

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 2 - CASH AND INVESTMENTS (continued)

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, 2014, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in fully collateral accounts, as permitted by the California Government Code. As of June 30, 2014, 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 LAIF which 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.

NOTE 3 - COMPOSITION OF ACCOUNTS RECEIVABLE AND PAYABLE BALANCES

Accounts receivable at June 30, 2014 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 Occupancy Taxes Fund	Community Development Block Grant Fund	Gas Tax & Road Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Taxes	\$ -	\$ 1,262,862	\$ -	\$ -	\$ -	\$ -	\$ 1,262,862
Accounts	1,423,293	-	13,596,473	22,031	9,931,476	256,625	25,229,898
Gross Receivables	1,423,293	1,262,862	13,596,473	22,031	9,931,476	256,625	26,492,760
Less: Allowance for Uncollectible	-	-	-	-	-	(167,041)	(167,041)
Total Accounts Receivable - Net	<u>\$ 1,423,293</u>	<u>\$ 1,262,862</u>	<u>\$ 13,596,473</u>	<u>\$ 22,031</u>	<u>\$ 9,931,476</u>	<u>\$ 89,584</u>	<u>\$ 26,325,719</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 3 - COMPOSITION OF ACCOUNTS RECEIVABLE AND PAYABLE BALANCES (continued)

Accounts Receivable - Proprietary Funds:	Wastewater Treatment Fund	Refuse Collection Fund	Agricultural Water Fund	Domestic Water Fund	Offstreet Parking Fund	Total Business-Type Activities
Accounts	\$ 826,287	\$ 897,965	\$ 1,943,786	\$ 1,723,292	\$ 730	\$ 5,392,060
Gross Receivables	826,287	897,965	1,943,786	1,723,292	730	5,392,060
Less: Allowances for Total Accounts Receivable - Net	<u>\$ 826,287</u>	<u>\$ 897,965</u>	<u>\$ 1,943,786</u>	<u>\$ 1,723,292</u>	<u>\$ 730</u>	<u>\$ 5,392,060</u>

Accounts payable and accrued liabilities at June 30, 2014 are composed of the following:

Accounts Payable and Accrued Liabilities - Governmental Activities:	General Fund	Transient Occupancy Taxes Fund	Community Development Block Grant Fund	Gas Tax & Road Fund	Capital Outlay Fund	Park Improvement Fund	Transportation Development Fund
Accounts payable	\$ 6,586,356	\$ 74,356	\$ 238,513	\$ 9,880,507	\$ 1,265,751	\$ 2,352,434	\$ 3,147,238
Due to other governments	<u>2,072,744</u>	-	-	-	-	-	-
Total Accounts Payable and Accrued Liabilities	<u>\$ 8,659,100</u>	<u>\$ 74,356</u>	<u>\$ 238,513</u>	<u>\$ 9,880,507</u>	<u>\$ 1,265,751</u>	<u>\$ 2,352,434</u>	<u>\$ 3,147,238</u>

Accounts Payable and Accrued Liabilities - Governmental Activities:	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts payable	\$ 126,445	\$ 2,117,031	\$ 2,788,631
Due to other governments	<u>55,136</u>	-	<u>2,127,880</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 181,581</u>	<u>\$ 2,117,031</u>	<u>\$ 2,7916,511</u>

Accounts Payable and Accrued Liabilities - Business-Type Activities:	Wastewater Treatment Fund	Refuse Collection Fund	Agricultural Water Fund	Domestic Aviation Fund	General Aviation Fund	Offstreet Parking Fund	Total Business-Type Activities
Accounts payable	\$1,688,493	\$2,767,193	\$ 235,345	\$ 2,027,784	\$ 348,204	\$ 2,592	\$ 7,069,611
Accrued interest	<u>2,635,218</u>	-	-	-	-	-	<u>2,635,218</u>
Total Accounts Payable and Accrued Liabilities	<u>\$4,323,711</u>	<u>\$ 2,767,193</u>	<u>\$ 235,345</u>	<u>\$ 2,027,784</u>	<u>\$ 348,204</u>	<u>\$ 2,592</u>	<u>\$ 9,704,829</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2014 are comprised of the following:

	Federal Government	State of California	County Agencies	Total Governmental Activities	Business-Type Activities	Total Reporting Entity
SB90 Claims	\$ -	\$ 3,716,050	\$ -	\$ 3,716,050	\$ -	\$ 3,716,050
Sales Tax	-	8,707,505	-	8,707,505	-	8,707,505
Property Tax	-	-	586,033	586,033	563,603	1,149,636
Public Employee Retirement System	-	32,873	-	32,873	-	32,873
Department of Fish and Game	-	124,501	-	124,501	-	124,501
Emergency Management Agency	-	6,972	-	6,972	-	6,972
State Cal-ID Program	-	78,142	-	78,142	-	78,142
Office of Traffic Safety	-	322,468	-	322,468	-	322,468
Department of Housing & Urban Development	-	414,380	-	414,380	-	414,380
Department of Transportation	34,651,744	8,500,532	-	43,152,276	178,815	43,331,091
Federal Aviation Administration	-	-	-	-	274,588	274,588
Economic & Community Development	479,520	-	-	479,520	-	479,520
Kern Council of Governments	-	-	389,777	389,777	-	389,777
Kern County Animal Control	-	-	85,255	85,255	-	85,255
Kern County Fire	-	-	62,482	62,482	-	62,482
Kern County Probation	-	-	25,838	25,838	-	25,838
Kern County Public Works	-	-	1,050,405	1,050,405	-	1,050,405
Totals	<u>\$ 35,131,264</u>	<u>\$ 21,903,423</u>	<u>\$ 2,199,790</u>	<u>\$ 59,234,477</u>	<u>\$ 1,017,006</u>	<u>\$ 60,251,483</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2014 were as follows:

Governmental Activities	Balance				Balance June 30, 2014
	June 30, 2013	Adjustments	Additions	Retirements	
Capital assets, not being depreciated					
Land	\$ 419,169,195	\$ (642,571)	\$ 4,689,443	\$ -	\$ 423,216,067
Construction in progress	<u>27,112,583</u>	-	<u>16,981,195</u>	<u>6,605,979</u>	<u>37,487,799</u>
Total capital assets, not being depreciated	<u>446,281,778</u>	<u>(642,571)</u>	<u>21,670,638</u>	<u>6,605,979</u>	<u>460,703,866</u>
Capital assets, being depreciated					
Buildings, structures and improvements	141,570,876	(3,247,716)	1,682,139	837,436	139,167,863
Infrastructure	1,396,993,936	30,029,070	62,552,983	-	1,489,575,989
Rolling equipment	68,435,991	-	5,085,209	3,467,513	70,053,687
Furniture and other equipment	<u>34,222,100</u>	<u>(3,922,278)</u>	<u>612,375</u>	<u>4,547,560</u>	<u>26,364,637</u>
Total capital assets, being depreciated	<u>1,641,222,903</u>	<u>22,859,076</u>	<u>69,932,706</u>	<u>8,852,509</u>	<u>1,725,162,176</u>
Less accumulated depreciation for					
Buildings, structures and improvements	(60,148,124)	1,984,463	(3,459,502)	-	(61,623,163)
Infrastructure	(705,505,502)	-	(58,010,636)	-	(763,516,138)
Rolling equipment	(42,651,578)	2,383,953	(4,848,702)	(3,410,209)	(41,706,118)
Furniture and other equipment	<u>(21,669,874)</u>	<u>1,144,459</u>	<u>(1,280,241)</u>	<u>(4,453,672)</u>	<u>(17,351,984)</u>
Total accumulated depreciation	<u>(829,975,078)</u>	<u>5,512,875</u>	<u>(67,599,081)</u>	<u>(7,863,881)</u>	<u>(884,197,403)</u>
Total capital assets, being depreciated, net	<u>811,247,825</u>	<u>28,371,951</u>	<u>2,333,625</u>	<u>988,628</u>	<u>840,964,773</u>
Governmental activities capital assets, net	<u>\$ 1,257,529,603</u>	<u>\$ 27,729,380</u>	<u>\$ 24,004,263</u>	<u>\$ 7,594,607</u>	<u>\$ 1,301,668,639</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 5 - CAPITAL ASSETS (continued)

	Balance				Balance June 30, 2014
	June 30, 2013	Adjustments	Additions	Retirements	
Business-Type Activities					
Capital assets, not being depreciated					
Land	\$ 25,703,728	\$ -	\$ -	\$ 4,577,261	\$ 21,126,467
Water rights	31,476,906	-	-	-	31,476,906
Construction in progress	15,614,350	-	1,183,560	12,578,007	4,219,903
Total capital assets, not being depreciated	72,794,984	-	1,183,560	17,155,268	56,823,276
Capital assets, being depreciated					
Buildings, structures and improvements	309,648,530	-	12,469,474	-	322,118,004
Infrastructure	739,785,301	-	21,903,460	-	761,688,761
Equipment	68,749,010	570,684	427,678	5,487	69,741,885
Total capital assets being depreciated	1,118,182,841	570,684	34,800,612	5,487	1,153,548,650
Less accumulated depreciation for					
Buildings, structures and improvements	(80,303,572)	-	(8,193,748)	-	(88,497,320)
Infrastructure	(215,870,069)	-	(11,883,421)	-	(227,753,490)
Equipment	(16,595,052)	(458,480)	(3,801,357)	(5,487)	(20,849,402)
Total accumulated depreciation	(312,768,693)	(458,480)	(23,878,526)	(5,487)	(337,100,212)
Total capital assets, being depreciated, net	805,414,148	112,204	10,922,086	-	816,448,438
Business-type activities capital assets, net	\$ 878,209,132	\$ 112,204	\$ 12,105,646	\$ 17,155,268	\$ 873,271,714

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

	Depreciation
Governmental functions:	
General government	\$ 1,704,875
Public safety - Police	502,524
Public safety - Fire	751,516
Public works	61,019,933
Recreation and parks	3,290,282
Community development	329,951
Total	\$ 67,599,081
Business-type functions:	
Wastewater treatment	\$ 18,875,047
Agricultural water	488,197
Domestic water	4,253,732
General aviation	185,570
Offstreet parking	75,980
Total	\$ 23,878,526

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 6 - LAND HELD FOR RESALE

The City, as the Redevelopment Successor Agency, has been transferred real property to be held for a limited period that will be used for future development. The inventory for land held for resale is presented at the lower of cost or net realizable value though it is initially recorded at historical costs. Subsequently the land could be adjusted to net realizable value if and when the City enters into agreements for development or sale of the property for less than its historical cost, when a property is impaired or when property value decreases due to market conditions.

	Balance at			Balance at June 30, 2014
	June 30, 2013	Additions	Deletions	
Redevelopment Successor Agency - Housing				
Land Held for resale	\$ 3,401,202	\$ -	\$ 622,000	\$ 2,779,202
	\$ 3,401,202	\$ -	\$ 622,000	\$ 2,779,202

NOTE 7 - OTHER LONG-TERM RECEIVABLES

Other long-term receivables consist of the following:

Governmental Activities

Loans receivable in the internal service funds due from the Bakersfield Redevelopment Agencies Southeast Project Area from the Mill Creek South mixed use development project. This loan has an interest rate tied to the LAIF rate (currently at .244% and an eight year payment period per Agreement 06-124). \$ 2,288,420

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). 2,845,649

Mercy Housing, Madison Place Apartments, 55 year term, with 1/55 to be forgiven each year of compliance to agreement. 316,448

Amcal Santa Fe Apartments, 55 year term, repayment begins from residual receipts following the date that the housing project is put in service. 134,691

Down payment assistance loans. 1,313,409

19th Street Senior Plaza, LLC, a 55 year loan term upon recordation of Certificate of Completion. 1,688,375

CalHOME Downpayment Assistance for a grant from the State of California which provided downpayment and closing cost assistance to seventeen (17) families within the Metropolitan Bakersfield area. The assistance was provided to those families whose incomes were at or below 120% of area median income. The loans of up to \$40,000 are forgiven at 1/15th per year. 537,880

Golden Empire Housing (GEAHI), Park Place Apartments, 55 year loan term beginning July 12, 1999, ending on July 12, 2054, with the interest payment being deferred for first ten years, until year 2010, with an interest rate of 1.5%. 868,867

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 7 - OTHER LONG-TERM RECEIVABLES (continued)

Capital Vision Equities, City Center Senior Housing, 35 year loan term beginning on March 28, 2001, ending March 28, 2036, with an interest rate of 5.85%.	990,000
Canyon Hills Assembly of God, Senior Housing Project 30 year loan term beginning July 30, 2001 ending July 30, 2031, with an interest rate of 0%. Face value of loans	<u>310,000</u> <u>\$ 11,293,739</u>
Current portion	\$ 513,140
Long-term portion	<u>10,780,599</u>
Total governmental activities receivable	<u>\$ 11,293,739</u>
Business-Type Activities	
Notes receivable in the Agricultural Water Fund are for the amounts due from various customers/vendors. These loans are non-interest bearing.	\$ 40,140
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 Wastewater Treatment Plant #3.	1,075,283
Long-term receivable under agreement 14-042 between the City and local citizen to purchase surplus land adjacent to their business. Property was held in the Offstreet Parking Fund.	78,410
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 the tract maps. The amounts due are liens against the respective properties upon execution of the agreements. The revenues related to these contracts are deferred.	<u>278,140</u>
Total business-type noncurrent receivables	<u>\$ 1,471,973</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

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 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, 2014 were:

Fund	Due from Other Funds	Due to Other Funds
Governmental Funds:		
Major Funds:		
General Fund	\$ 20,332,632	\$ -
Gas Tax & Road Fund	-	20,103,663
Non-Major Fund:		
State (TDA) Transportation Fund	-	<u>228,969</u>
	<u>\$ 20,332,632</u>	<u>\$ 20,332,632</u>

These balances are a result of expenditures incurred prior to the receipt of the related special revenue source.

Interfund transfers at June 30, 2014 consisted of the following:

	Transfers In	Transfers Out
Governmental Funds:		
Major Funds:		
General Fund	\$ 1,100,000	\$ 10,095,532
Transient Occupancy Taxes Fund	-	4,554,124
Community Development Block Grant Fund	-	584,434
Capital Outlay Fund	14,330,632	-
Non-Major Funds:		
Traffic Safety Fund	-	1,100,000
General Obligation Debt Fund	638,558	-
Proprietary Funds:		
Major Funds:		
Wastewater Treatment Fund	-	455,000
Refuse Collection Fund	-	1,047,500
Agricultural Water Fund	-	17,000
Offstreet Parking Fund	30,000	-
Internal Service Funds:		
Self-Insurance Fund	-	54,452
Equipment Management Fund	<u>1,808,852</u>	-
	<u>\$ 17,908,042</u>	<u>\$ 17,908,042</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 8 - INTERFUND TRANSACTIONS (continued)

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

- The \$1,100,000 transfer in to the General Fund from the Traffic Safety Fund to subsidize the cost of the traffic division of the police department for parking fine violations.
- The \$10,095,532 transfer from the General Fund includes transfers to the Capital Outlay Fund of \$8,903,132 for capital improvements on various City facilities. Other transfers for proprietary activities included a transfer of \$1,162,400 to the Equipment Management Fund for the purchase of equipment in various departments, and a transfer of \$30,000 to the Offstreet Parking Fund to cover the costs of additional security at the facility.
- The \$4,554,124 transfers from the Transient Occupancy Taxes Fund include: \$4,500,000 transferred to the Capital Outlay Fund to fund a number of capital projects and \$54,125 to the General Obligation Debt Fund for the repayment of a loan from PG&E for an energy efficiency retrofit at Rabobank Arena.
- The \$584,434 transfer from the Community Development Block Grant (CDBG) Fund to the General Obligation Debt Fund is for the repayment of a Section 108 loan.
- There were additional transfers to the Equipment Management Fund to purchase additional equipment for operations which include: Gas Tax & Road Fund (\$205,600), Wastewater Treatment Fund (\$455,000), Refuse Collection Fund (\$1,047,000), and the Agricultural Water Fund (\$17,000).

NOTE 9 - ADVANCES FROM GRANTORS AND THIRD PARTIES

The government-wide Statement of Net Position as well as governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end but not yet earned because under both the accrual and modified accrual basis of accounting revenue may be recognized only when earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

The following table summarizes Advances from Grantors and third parties for the City at June 30, 2014:

	Balance at June 30, 2014
Governmental Activities:	
General Fund	
Dog License	\$ 119,459
Business License	1,167,070
General Fund Total	1,286,529
Non-Major Funds:	
State Transportation - Grants Advanced	141,868
Redevelopment Successor Agency - Housing	6,159,671
Total Governmental Activities	<u>\$ 7,588,068</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 9 - ADVANCES FROM GRANTORS AND THIRD PARTIES (continued)

	Balance at June 30, 2014
Business-Type Activities:	
Wastewater Treatment	\$ 1,075,283
Refuse Collection	141,601
Domestic Water	278,140
Total Business-Type Activities	<u>\$ 1,495,024</u>

NOTE 10 - CAPITAL LEASE

The City entered into a long-term lease agreement in September 2005 for the acquisition of water rights with the Kern County Water Agency (KCWA). The agreement entitles the City to receive 6,500 acre feet of water per year in exchange for annual payments tied to KCWA's Water Revenue Certificates of Participation from 2006 and 2008 which were used for the expansion of its water treatment facility. The City's lease payments coincide with the amortization schedule for the related KCWA debt with the value of the related water rights at \$20,664,937. The total lease obligation for the term of this agreement is as follows:

Year ending	Business-Type Activities		
	Lease	Interest	Total
2015	\$ 529,179	\$ 940,831	\$ 1,470,010
2016	556,211	915,710	1,471,921
2017	579,868	894,983	1,474,851
2018	599,281	870,740	1,470,021
2019	622,686	845,460	1,468,146
2020-2024	3,423,670	3,937,717	7,361,387
2025-2029	4,223,695	3,137,105	7,360,800
2030-2034	5,361,100	1,997,696	7,358,796
2035-2039	4,769,247	581,088	5,350,335
Totals	<u>\$ 20,664,937</u>	<u>\$ 14,121,330</u>	<u>\$ 34,786,267</u>

	Balance at June 30, 2013	Additions	Principal Retirement	Balance at June 30, 2014
Business-Type Activities				
Capital Leases:				
Water rights	\$ 21,174,195	\$ -	\$ 509,258	\$ 20,664,937
	<u>\$ 21,174,195</u>	<u>\$ -</u>	<u>\$ 509,258</u>	<u>\$ 20,664,937</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 11 - LONG-TERM DEBT

Long-term debt transactions for the fiscal year ending June 30, 2014 are summarized below:

	Business-Type Activities				Total Government
	Governmental Activities	General Obligations	Revenue Obligations	Total	
Payable at June 30, 2013:					
Bonds	\$ -	\$ -	\$ 208,827,318	\$208,827,318	\$208,827,318
Certificates of Participation	22,725,000	-	-	-	22,725,000
Notes	4,423,000	6,017,009	-	6,017,009	10,440,009
Contracts/Loans	-	171,742	-	171,742	171,742
Claims and Judgments Payable	31,085,384	-	-	-	31,085,384
Compensated Absences	14,492,296	2,318,075	-	2,318,075	16,810,371
Subtotal	<u>72,725,680</u>	<u>8,506,826</u>	<u>208,827,318</u>	<u>217,334,144</u>	<u>290,059,824</u>
New debt incurred:					
Bonds	-	-	-	-	-
Certificates of Participation	-	-	-	-	-
Notes	170,173	-	-	-	170,173
Contracts/Loans	-	42,730	-	42,730	42,730
Claims and Judgments Payable	2,107,781	-	-	-	2,107,781
Compensated Absences	8,365,107	1,113,443	-	1,113,443	9,478,550
Subtotal	<u>10,643,061</u>	<u>1,156,173</u>	<u>-</u>	<u>1,156,173</u>	<u>11,799,234</u>
Principal reductions:					
Bonds	-	-	8,591,064	8,591,064	8,591,064
Certificates of Participation*	2,085,000	-	-	-	2,085,000
Notes	443,124	752,125	-	752,125	1,195,249
Compensated Absences	8,521,769	1,279,349	-	1,279,349	9,801,118
Subtotal	<u>11,049,893</u>	<u>2,031,474</u>	<u>8,591,064</u>	<u>10,622,538</u>	<u>21,672,431</u>
Payable at June 30, 2014:					
Bonds	-	-	200,236,254	200,236,254	200,236,254
Certificates of Participation	20,640,000	-	-	-	20,640,000
Notes	4,150,049	5,264,884	-	5,264,884	9,414,933
Contracts/Loans	-	214,472	-	214,472	214,472
Claims Post-Emp. Benefit Obligation	33,193,165	-	-	-	33,193,165
Compensated Absences	14,335,634	2,152,169	-	2,152,169	16,487,803
Total Payables	<u>\$ 72,318,848</u>	<u>\$ 7,631,525</u>	<u>\$ 200,236,254</u>	<u>\$207,867,779</u>	<u>\$280,186,627</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 11 - LONG-TERM DEBT (continued)

	Governmental Activities	Business-Type Activities			Total Government
		General Obligations	Revenue Obligations	Total	
Due Within One Year:					
Bonds	\$ -	\$ -	\$ 4,691,063	\$ 4,691,063	\$ 4,691,063
Certificates of Participation	2,180,000	-	-	-	2,180,000
Notes	439,672	752,126	-	752,126	1,191,798
Total Long-term Debt	<u>2,619,672</u>	<u>752,126</u>	<u>4,691,063</u>	<u>5,443,189</u>	<u>8,062,861</u>
Contracts/Loans	-	214,472	-	214,472	214,472
Claims and Judgments Payable	8,792,165	-	-	-	8,792,165
Compensated Absences	7,505,283	1,452,806	-	1,452,806	8,958,089
Total Due Within One Year	<u>18,917,120</u>	<u>2,419,404</u>	<u>4,691,063</u>	<u>7,110,467</u>	<u>26,027,587</u>
Due in More Than One Year					
Bonds	\$ -	\$ -	\$ 195,545,191	\$195,545,191	\$195,545,191
Certificates of Participation	18,460,000	-	-	-	18,460,000
Notes	3,710,377	4,512,758	-	4,512,758	8,223,135
Total Long-term Debt	<u>22,170,377</u>	<u>4,512,758</u>	<u>195,545,191</u>	<u>200,057,949</u>	<u>222,228,326</u>
Contracts/Loans	-	-	-	-	-
Deferred Bond Premium	-	-	-	-	-
Claims and Judgments Payable	24,401,000	-	-	-	24,401,000
Compensated Absences	6,830,351	699,363	-	699,363	7,529,714
Total Due in More Than One Year	<u>\$ 53,401,728</u>	<u>\$ 5,212,121</u>	<u>\$ 195,545,191</u>	<u>\$200,757,312</u>	<u>\$254,159,040</u>

The liability for pension-related debt and compensated absences for governmental activities is primarily liquidated by the General Fund with smaller portions charged to other funds in an amount proportional to the personnel costs incurred. The pension related debt and compensated absences for business-type activities will be paid by the respective proprietary funds.

Long-term debt payable at June 30, 2014 was comprised of the following individual issues:

Bonds

General obligation bonds serviced by business-type activities:

\$190,695,000 Wastewater Revenue Bonds 2007 Series A - due in annual principal installments of \$1,100,000 to \$14,465,000 commencing September 15, 2009 through 2033. (This issue is serviced by the Wastewater Treatment Fund) \$178,615,000

\$25,000,000 Wastewater Revenue Bonds 2012 Series A - the 2007 Series B bonds were refunded in 2012 with partial bond call of \$18,730,000 of that previous debt issuance. The City made payments of \$5,000,000 in both the 2012/13 and 2013/14 fiscal years to help retire the debt sooner. Annual principal installments are \$11,590,000 and \$8,410,000 commencing September 15, 2033 through 2034. Payments prior to 2033 are variable rate interest only; interest rate fluctuates weekly tied to SIFMA municipal swap index. (This issue is serviced by the Wastewater Treatment Fund) \$ 15,000,000

Unamortized Bond Premium on Wastewater Revenue Bonds 6,621,254

Total Bonds

\$200,236,254

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 11 - LONG-TERM DEBT (continued)Certificates of Participation (COP):

Certificates of participation serviced by Transient Occupancy tax revenue via lease payments from the City to the redevelopment successor agency:
\$25,335,000 - 2006 Refunding Certificates of Participation Series A assumed by the City as the successor agency of the former redevelopment agency. 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%. \$ 15,010,000

\$9,470,000 - 2006 Refunding Certificates of Participation Series B assumed by the City as the successor agency of the former redevelopment agency. Certificates are due in annual principal installments of \$345,000 to \$830,000 commencing October 1, 2006 through 2022; interest ranging from 4.00% to 5.00%. 5,630,000

Total Certificates of Participation \$ 20,640,000

Notes/Loans:

General obligation note serviced by Community Development Block Grant Fund (via the Municipal Debt Service Fund with Community Development Block Grant Entitlement): \$4,100,000 Housing & Urban Development (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%. \$ 2,399,000

General obligation note serviced by Community Development Block Grant Fund (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, 2005 through August 2023; interest ranging from 1.61% to 4.76%. 494,000

General obligation note serviced by Community Development Block Grant Fund (via the Municipal Debt Service Fund with Community Development Block Grant Entitlement (\$1,800,000 HUD Section 108 Loan 009 - due in annual principal installments of \$140,000 to \$230,000 commencing August 2010 through August 2021; interest ranging from 0.56% to 3.73%). 1,141,000

General obligation loan serviced by Transient Occupancy Tax Fund (via the Municipal Debt Service Fund) \$170,173 PG&E loan used for an energy efficient lighting upgrade at Rabobank Arena that was split over two payments. Check #1 was for \$25,736 to be paid off in 20 monthly payments of \$1,286, and check #2 was for \$144,437 to be paid off in 56 monthly payments of \$2,579. These loans contain no interest charges. 116,049

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. 5,264,884

Total general obligation notes/loans payable \$ 9,414,933

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 11 - LONG-TERM DEBT (continued)Compensated Absences:

Government Activities \$ 14,335,634
Business-Type Activities 2,152,169
Total Compensated Absences \$ 16,487,803

A summary of the City's debt service requirements outstanding at June 30, 2014 is as follows:

	<u>Total Government</u>
Principal:	
Governmental Activities	\$ 72,318,848
Business-Type Activities:	
General Obligations	7,631,525
Revenue Obligations	<u>200,236,254</u>
Subtotal - Principal	<u>280,186,627</u>
Less: Claims and Judgments Payable included above that bear no interest and have no schedule of repayment terms	33,193,165
Less: Kern River Levee District Payable included above that bears no interest and has no schedule of repayment terms	214,472
Less: Unamortized premium for Wastewater revenue bond	6,621,254
Less: Compensated Absences included above that bear no interest and have no schedule of repayment terms	<u>16,487,803</u>
Total Principal with Scheduled Repayment Terms	223,669,933
Interest on Obligations	<u>115,413,887</u>
Total Debt Service Requirements	<u>\$ 339,083,820</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 11 - LONG-TERM DEBT (continued)

The annual requirement to amortize the principal and interest on long-term debt at June 30, 2014 is as follows:
Government-Type Activities

Year ending	Principal			Interest		
	Bonds/COP	Notes/Loans	Total	Bonds	Notes/Loans	Total
2015	\$ 2,180,000	\$ 439,672	\$ 2,619,672	\$ 965,150	\$ 180,887	\$ 1,146,037
2016	2,285,000	443,951	2,728,951	856,150	164,823	1,020,973
2017	2,390,000	457,951	2,847,951	741,900	147,134	889,034
2018	2,510,000	456,475	2,966,475	622,400	127,900	750,300
2019	2,640,000	456,000	3,096,000	496,900	107,287	604,187
2020-2024	8,635,000	1,896,000	10,531,000	764,875	200,722	965,597
Totals	\$ 20,640,000	\$ 4,150,049	\$ 24,790,049	\$ 4,447,375	\$ 928,753	\$ 5,376,128

Business-Type Activities

Year ending	Principal			Interest		
	Bonds/COP	Notes/Loans	Total	Bonds	Notes/Loans	Total
2015	\$ 4,360,000	\$ 752,126	\$ 5,112,126	\$ 912,156	\$ 150,429	\$ 9,276,585
2016	5,475,000	752,126	6,227,126	8,896,906	150,429	9,047,335
2017	6,055,000	752,126	6,807,126	8,617,938	150,429	8,768,367
2018	5,975,000	752,126	6,727,126	8,329,188	150,429	8,479,617
2019	6,025,000	752,126	6,777,126	8,039,125	150,429	8,189,554
2020-2024	40,190,000	1,504,254	41,694,254	34,754,625	300,856	35,055,481
2025-2029	53,285,000	-	53,285,000	23,066,625	-	23,066,625
2030-2034	64,205,000	-	64,205,000	8,056,973	-	8,056,973
2035-2039	8,045,000	-	8,045,000	97,222	-	97,222
2040-2043	-	-	-	-	-	-
Totals	\$ 193,615,000	\$ 5,264,884	\$ 198,879,884	\$ 108,984,758	\$ 1,053,001	\$ 110,037,759

Total Reporting Entity

Year Ending	Principal			Interest		
	Bonds/COP	Notes/Loans	Total	Bonds/COP	Notes/Loans	Total
2015	\$ 6,540,000	\$ 1,191,798	\$ 7,731,798	\$ 10,091,306	\$ 331,316	\$ 10,422,622
2016	7,760,000	1,196,077	8,956,077	9,753,056	315,252	10,068,308
2017	8,445,000	1,210,077	9,655,077	9,359,838	297,563	9,657,401
2018	8,485,000	1,208,601	9,693,601	8,951,588	278,329	9,229,917
2019	8,665,000	1,208,126	9,873,126	8,536,025	257,716	8,793,741
2020-2024	48,825,000	3,400,254	52,225,254	35,519,500	501,578	36,021,078
2025-2029	53,285,000	-	53,285,000	23,066,625	-	23,066,625
2030-2034	64,205,000	-	64,205,000	8,056,973	-	8,056,973
2035-2039	8,045,000	-	8,045,000	97,222	-	97,222
2040-2043	-	-	-	-	-	-
Totals	\$ 214,255,000	\$ 9,414,933	\$ 223,669,933	\$ 113,432,133	\$ 1,981,754	\$ 115,413,887

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 12 - PLEDGED REVENUES

The City has pledged net revenues generated by the Wastewater Enterprise Fund to repay \$234 million in wastewater revenue bonds series 2007A and 2007B issued in August 2007. Each fiscal year, net revenues means all revenues of the enterprise fund received during the fiscal year less operation and maintenance costs for that fiscal year. The pledge of net revenues does not constitute a lien upon any property of the City. Proceeds of the bonds provided financing for expansion and upgrade of Wastewater Treatment Plant #3, and improvements to Wastewater Treatment Plant #2. The bonds are payable through 2034 for 2007A, and 2036 for 2007B. The covenants of the ordinances authorizing the bonds include, among other things, an obligation of the City to fix, prescribe, revise, and collect rates, fees, and charges for the services and facilities of the system and revise the same whenever necessary, which will provide gross revenues in each fiscal year sufficient to pay the cost of operation and maintenance of the system; one hundred twenty five percent (125%) of the bond service requirement becoming due in such fiscal year on the outstanding bonds; plus one hundred percent (100%) of all reserve and other payments required to be made pursuant to the ordinances authorizing the bonds.

The 2007B bonds were refunded by 2012A variable bonds. This action was initiated to replace the liquidity provider (Dexia) who was having a negative impact on the 2007B interest rates due to their significant exposure to European (Greece, France) investments. In conjunction with the refunding process, there was a partial bond call of \$18,730,000 approved by City Council to reduce the principal balance down to \$25 million. The new liquidity provider selected is JP Morgan Chase Bank. The 2012A variable bonds are payable through 2034. The current outstanding principal balance on the variable rate debt is \$15 million.

NOTE 13 - DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the City recognized deferred inflows of resources in the government-wide financial statements. These items are an acquisition of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report deferred revenues in connection with receivables for revenues not susceptible to accrual, as deferred inflows of resources.

Deferred inflows of resources balances for the year ended June 30, 2014 were as follows:

	Balance at June 30, 2014
General Fund	
California Water Receivable	\$ 270,221
Code Enforcement Receivable	6,955
Police Service Receivable	157,041
State Agencies (SB90)	3,716,050
County Agencies (Fire Fund)	61,682
General Fund Total	4,211,949
Community Development Block Grant - Deferred Loans	16,425,998
Gas Tax & Road Fund	22,031
Capital Outlay Fund	46,606
Non-Major Funds	
National Stabilization	9,821,248
Total Governmental Fund	\$ 30,527,832

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 14 - FUND BALANCES

Fund balances for all major and non-major governmental funds as of June 30, 2014 are as follows (see Note 1 for description of the categories used):

	General Fund	Transient Occupancy Taxes Fund	Community Development Block Grant Fund	Gas Tax & Road Fund	Capital Outlay Fund	Park Improvement Fund	Transportation Development Fund	Non-Major Governmental Funds	Total
Nonspendable									
Prepays/Deposits	\$ 3,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,181
Subtotal	3,181	-	-	-	-	-	-	-	3,181
Restricted									
Development services grants	-	-	421,580	-	-	-	-	4,000	425,580
Community redevelopment projects	-	-	-	-	-	-	-	2,773,670	2,773,670
Police services grants	-	-	-	-	-	-	-	734,166	734,166
Fire services grants	-	-	-	-	-	-	-	440,101	440,101
Assessment district projects	-	-	-	-	-	-	-	4,920,909	4,920,909
Public works grants	-	-	-	11,721,411	-	-	-	-	11,721,411
Subtotal	-	-	421,580	11,721,411	-	-	-	8,872,846	21,015,837
Committed									
Professional service contracts	225,076	-	-	-	169,992	-	-	-	395,068
Utility service agreements	24,000	-	-	-	-	-	-	-	24,000
Police operations contracts	378,073	-	-	-	-	-	-	-	378,073
Fire service contracts	-	-	-	-	259,113	-	-	-	259,113
Traffic signal improvements	8,804	-	-	-	-	-	-	-	8,804
Public works improvement contracts	-	-	-	-	5,307,584	-	42,921,064	-	48,228,648
Park improvement contracts	-	-	-	-	642,717	6,963,143	-	-	7,605,860
Recreation facility contracts	-	93,972	-	-	-	-	-	-	93,972
Community development contracts	149,605	-	-	-	1,214,704	-	-	-	1,364,309
Cash basis reserve	12,679,146	-	-	-	-	-	-	-	12,679,146
Facility replacement reserve	-	-	-	-	4,771,814	-	-	-	4,771,814
Subtotal	13,464,704	93,972	-	-	12,365,924	6,963,143	42,921,064	-	75,808,807

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 14 - FUND BALANCES (continued)

	General Fund	Transient Occupancy Taxes Fund	Community Development Block Grant Fund	Gas Tax & Road Fund	Capital Outlay Fund	Park Improvement Fund	Transportation Development Fund	Non-Major Governmental Funds	Total
Assigned									
Legal services	42,619	-	-	-	-	-	-	-	42,619
Police operations	21,265	-	-	-	-	-	-	-	21,265
Fire operations	73,063	-	-	-	-	-	-	-	73,063
Public works - General Services department	64,277	-	-	-	-	-	-	-	64,277
Facility improvements	-	-	-	-	7,305,376	-	-	-	7,305,376
Road projects	-	-	-	-	48,143,814	-	-	-	48,143,814
Recreation projects	53,084	3,486,075	-	-	-	-	-	-	3,539,159
Park development projects	47,257	-	-	-	-	-	-	-	47,257
Community development projects	66,094	-	-	-	-	-	-	-	66,094
Other miscellaneous agreements	16,303	-	-	-	-	-	-	-	16,303
Petty Cash accounts	21,970	-	-	-	-	-	-	-	21,970
Compensated absences	6,934,107	-	-	-	-	-	-	-	6,934,107
Appropriation for CalPERS increases	2,250,000	-	-	-	-	-	-	-	2,250,000
Appropriation for next year's budget	24,996,118	-	-	-	-	-	-	-	24,996,118
Subtotal	34,586,157	3,486,075	-	-	55,449,190	-	-	-	93,521,422
Unassigned	6,502,852	-	-	-	-	-	-	-	6,502,852
	\$ 54,556,894	\$ 3,580,047	\$ 421,580	\$ 11,721,411	\$ 67,815,114	\$ 6,963,143	\$ 42,921,064	\$ 8,872,846	\$196,852,099

NOTE 15 - REIMBURSABLE DEVELOPER COSTS

Reimbursable developer costs of \$2,322,260 at June 30, 2014 are included in customer deposits in the Domestic Water Fund which represent amounts due to developers for construction of water mainline extensions and certain other water facilities. For mainline extensions transferred to the City after June 30, 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 2.5% of the cost of the extension on a yearly basis with the total amount to be reimbursed within 40 years.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS

General

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

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

CalPERS

Miscellaneous Plan

A. Plan Description

The City'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 Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues 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.

B. 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 year ended June 30, 2014 was 16.939%. 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.

C. Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$9,110,586 for CalPERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.3% to 14.2%, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75%. The actuarial valuation of the Miscellaneous Plan's assets is based on a 15 year smoothed market methodology that dampens the effects of short-term market value fluctuations on employer contributions. The Miscellaneous Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. Based on the most recently completed actuarial valuation, the remaining amortization period at June 30, 2013 was twenty-one years.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS (continued)

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 7,830,525	100%	\$ -
6/30/2013	\$ 8,306,329	100%	\$ -
6/30/2014	\$ 9,110,586	100%	\$ -

FUNDED STATUS AND FUNDING PROGRESS OF MISCELLANEOUS PLAN

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value*	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [((B)-(A))/(E)]
6/30/2011	\$ 314,512,484	\$ 376,382,028	\$ 61,869,544	83.6 %	\$ 49,274,356	125.6 %
6/30/2012	\$ 330,372,268	\$ 393,965,601	\$ 63,593,333	83.9 %	\$ 48,928,860	130.0 %
6/30/2013	\$ 307,949,621	\$ 422,087,276	\$ 114,137,655	73.0 %	\$ 51,509,037	221.6 %

* Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

FUNDED STATUS AND FUNDING PROGRESS OF MISCELLANEOUS PLAN BASED ON MARKET VALUE

	(A)	(B)	(C)	(D)	(E)	(F)
Market Valuation Date	Market Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [((B)-(A))/(E)]
6/30/2011	\$ 279,446,562	\$ 376,382,028	\$ 96,935,466	74.2 %	\$ 49,274,356	196.7 %
6/30/2012	\$ 275,427,712	\$ 393,965,601	\$ 118,537,889	69.9 %	\$ 48,928,860	242.3 %
6/30/2013	\$ 307,949,621	\$ 422,087,276	\$ 114,137,655	73.0 %	\$ 51,509,037	221.6 %

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS (continued)

Safety Fire Plan

A. Plan Description

The City 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 Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues 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.

B. 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 June 30, 2014 was 26.375%. 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.

C. Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$4,252,156 for CalPERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.3% to 14.2%, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Safety Fire Plan's assets is based on a 15 year smoothed market methodology that dampens the effects of short-term market value fluctuations on employer contributions. The Safety Fire Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. Based on the most recently completed actuarial valuation, the remaining amortization period at June 30, 2013, was twenty-four years.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS (continued)

THREE-YEAR TREND INFORMATION FOR THE SAFETY FIRE PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 3,785,798	100%	\$ -
6/30/2013	\$ 3,967,439	100%	\$ -
6/30/2014	\$ 4,252,156	100%	\$ -

FUNDED STATUS AND FUNDING PROGRESS OF THE SAFETY FIRE PLAN

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value*	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(B)-(A)](E)
6/30/2011	\$ 181,397,284	\$ 206,961,052	\$ 25,563,768	87.6%	\$ 14,645,522	174.6%
6/30/2012	\$ 186,508,246	\$ 214,133,763	\$ 27,625,517	87.1%	\$ 14,568,547	189.6%
6/30/2013	\$ 170,062,171	\$ 226,427,274	\$ 56,365,103	75.1%	\$ 15,101,053	373.3%

* Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

FUNDED STATUS AND FUNDING PROGRESS OF THE SAFETY FIRE PLAN BASED ON MARKET VALUE

	(A)	(B)	(C)	(D)	(E)	(F)
Market Valuation Date	Market Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(B)-(A)](E)
6/30/2011	\$ 160,487,834	\$ 206,961,052	\$ 46,473,218	77.5%	\$ 14,645,522	317.3%
6/30/2012	\$ 155,435,328	\$ 214,133,763	\$ 58,698,435	72.6%	\$ 14,568,547	402.9%
6/30/2013	\$ 170,062,171	\$ 226,427,274	\$ 56,365,103	75.1%	\$ 15,101,053	373.3%

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS (continued)

Safety Police Plan

B. Funding Policy

The City'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 Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues 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.

C. Annual Pension Cost

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 year ended June 30, 2014 was 35.094%. The contribution requirements of the plan members are established and may be amended by CalPERS.

For the year ended June 30, 2014, the City's annual pension cost of \$10,789,992 for CalPERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.3% to 14.2%, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Safety Police Plan's assets is based on a 15 year smoothed market methodology that dampens the effects of short-term market value fluctuations on employer contributions. The Safety Police Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. Based on the most recently completed actuarial valuation, the remaining amortization period at June 30, 2013, was twenty-six years.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS (continued)

THREE-YEAR TREND INFORMATION FOR THE SAFETY POLICE PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 9,524,157	100%	\$ -
6/30/2013	\$ 10,001,355	100%	\$ -
6/30/2014	\$ 10,789,992	100%	\$ -

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

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value*	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(B)-(A)]/(E)
6/30/2011	\$ 241,189,946	\$ 321,160,693	\$ 79,970,747	75.1%	\$ 28,310,792	282.5%
6/30/2012	\$ 253,424,956	\$ 338,319,629	\$ 84,894,673	74.9%	\$ 28,384,581	299.1%
6/30/2013	\$ 236,109,546	\$ 363,563,770	\$ 127,454,224	64.9%	\$ 29,607,871	430.5%

* Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

FUNDED STATUS AND FUNDING PROGRESS OF
THE SAFETY POLICE PLAN BASED ON MARKET VALUE

	(A)	(B)	(C)	(D)	(E)	(F)
Market Valuation Date	Market Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(B)-(A)]/(E)
6/30/2011	\$214,544,781	\$ 321,160,693	\$106,615,912	66.8%	\$ 28,310,792	376.6%
6/30/2012	\$211,372,113	\$ 338,319,629	\$126,947,516	62.5%	\$ 28,384,581	447.2%
6/30/2013	\$236,109,546	\$ 363,563,770	\$ 127,454,224	64.9%	\$ 29,607,871	430.5%

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS (continued)**Fireman's Relief and Pension Fund**A. Plan Description

The Fireman's Relief and Pension Fund (FRPF), a single-employer defined benefit pension plan, is used to account for the accumulation of resources to be used for retirement, disability and death benefits as well as annual cost-of-living adjustments 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, 2014, the most recent actuarial valuation date, there were 6 participants, retired and 100% vested. There is not a separate, audited GAAP-basis pension report available for the FRPF defined benefit pension plan.

B. Funding Policy

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

Through June 30, 1996, an actuarial valuation was performed every three years using the unit-credit method to calculate the costs of the FRPF for pension benefits. Since June 30, 1998, valuations have occurred every two years. The June 30, 2014 valuation used the unprojected unit credit method to calculate the costs for pension benefits.

The FRPF carried the following investments at June 30, 2014, which were not issued or directly guaranteed by the U.S. government and which exceeded five percent of plan assets for any one organization:

Local Agency Investment Fund	\$	111,088
Morgan Federal Farm Credit Bank Coupon	\$	1,000,000

C. Actuarial Methods and Assumptions

Schedules of Funding Progress (Fire - FRPF)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	\$1,447,264	\$1,146,478	\$(300,786)	126%	\$-0-	N/A
6/30/2010	1,447,264	1,146,478	(300,786)	126%	-0-	N/A
6/30/2012	1,341,914	1,327,284	(14,630)	101%	-0-	N/A
6/30/2012	1,341,914	1,327,284	(14,630)	101%	-0-	N/A
6/30/2014	1,111,005	1,292,739	181,734	86%	-0-	N/A

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 16 - EMPLOYEE RETIREMENT BENEFITS (continued)

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

Valuation date	06/30/14
Actuarial cost method	Projected 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	2.5% compounded annually (2.36% as of 06/30/14)
Projected salary increases	N/A
Post-retirement benefit increases	None
Inflation	3.5%
Mortality	RP2000 Annuity Table (projected to 2012). (1971 group annuity mortality set back two years for males and eight years for females, as of 06/30/04.)

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)A. Plan Description

In addition to the employee retirement benefits described in Note 16, the City provides a single-employer Post-Employment Retiree Medical Benefit Plan 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 upon retirement to participate. The service requirement is waived for safety employees who retire with a job-related disability.

Employees hired after the dates listed below will not participate in either of the retiree health subsidy programs mentioned above.

Miscellaneous Employees	February 22, 2006
Management and Supervisory	March 22, 2006
Fire Safety	May 05, 2006
Police Safety	May 24, 2006

For employees hired prior to the dates listed above, the City provides lifetime postretirement medical benefits for eligible retirees and qualified dependents with a choice of three medical options: Anthem Blue Cross Fee for Service (FFS), Anthem Blue Cross HMO, and Kaiser HMO. Mental Health and Vision benefits are carved out and provided through Optum Behavioral Health and Medical Eye Services, respectively. After reaching eligibility for Medicare, retirees are offered a choice of Blue Cross Senior Secure or Kaiser Senior Advantage HMOs. Retirees may also elect dental coverage but must self-pay the premiums for such coverage. Vision coverage is not offered to retirees. Retiree rates are unblended from employee rates.

The City contributes 3% of the lowest single-party rate per year of service to a maximum of 90%. If this dollar amount is greater than the premium for a retiree covered under one of the Medicare Risk plans, the retiree receives a cash reimbursement of the difference to a maximum of \$42.50 per month. The City also contributes 42% of the total FFS premium for all retirees participating in the FFS plan, excluding Miscellaneous employees hired after April 1, 1996 and Safety employees hired after April 1, 1998. The City has approximately 813 active employees and 699 retirees as of June 30, 2014.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

B. Funding Policy

As required by GASB Statement No. 45, an actuary will determine the City's Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total UAAL over a period not to exceed 30 years.

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

The City's funding policy is to contribute an amount to an irrevocable trust each year equal to 100% of that year's ARC, to the extent funding sources are available to make such contributions. The percentage may be changed from time to time by City Council action. The net other post-employment benefit obligation stems from the General Fund not meeting its portion of the ARC, as such, the liability is due and will be paid from the General Fund. All future retiree health benefits will be paid out of the irrevocable trust set up for this purpose or reimbursed to the City for payments already made to date on the retirees' behalf. Separate financial reports are issued by PARS for the City's plan. Copies can be obtained from their offices at 4350 VonKarman Avenue, Suite 100, Newport Beach, CA 92660.

C. Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the City's Annual OPEB Cost for each of the last two fiscal years, the amount actually contributed to the plan, and changes in the City's Net OPEB Obligation/(Asset):

	Fiscal Year End 6/30/2014	Fiscal Year End 6/30/2013
<u>Item</u>		
Annual Required Contributions	\$ 6,539,299	\$ 8,006,053
Interest on Net OPEB Obligation/(Asset)	(101,771)	556,778
Adjustment to Annual Required Contributions	137,786	(726,606)
Annual OPEB Cost (expense)	6,575,314	7,836,225
Contributions Made	(6,950,125)	(10,292,900)
Increase/(Decrease) in Net OPEB Obligation/(Asset)	(374,811)	(2,456,675)
Net OPEB Obligation/(Asset)- beginning of year	(1,770,296)	686,379
Net OPEB Obligation/(Asset)- end of year	\$ (2,145,107)	\$ (1,770,296)

The City's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal years ended June 30, 2012 through 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2012	\$7,836,225	\$16,832,576	214.80%	\$686,379
6/30/2013	7,836,225	10,292,900	131.35%	(1,770,296)
6/30/2014	6,575,314	6,950,125	105.70%	(2,145,107)

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 (the most recent actuarial valuation date) was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$46,532,951	\$110,400,975	\$63,868,024	42.1%	\$56,277,827	113.5%

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

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2013. In that valuation the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5.75% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate ranging from 12.97 to -6.54%, reduced by decrements to an ultimate rate of 5% after 10 years. These assumptions reflect an implicit 3.0% general inflation assumption. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over 30 years. The remaining amortization period as of June 30, 2014 was 24 years.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 18 - SPECIAL ASSESSMENT DISTRICTS

In addition to the Long-Term Obligations discussed in Note 11, 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, are 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 June 30, 2014
Assessment District 93-3 (Cal/Oak)	\$ 170,000
Assessment District 94-2 (Gosford/White)	125,000
Assessment District 94-3 (Silver Creek-Brimhall, North Seven Oaks, South Laurelglen)	875,000
Assessment District 96-1* (Brimhall II/Spring Meadows/Fairways/Campus Park)	170,000
Assessment District 97-1* (Spring Meadows II/Stockdale Highway Commercial)	330,000
Assessment District 98-1* (Brimhall IV/Stockdale Commercial/Gosford Industrial)	1,625,000
Assessment District 99-1* (Polo Greens/River Oaks)	760,000
Assessment District 99-2* (Seven Oaks West)	1,395,000
Assessment District 01-1* (Ming at Allen/Mountain Vista; Hampton Place)	1,000,000
Assessment District 01-2* (Seven Oaks West II/Riverwalk/Southern Oaks)	3,340,000
Assessment District 01-3* (Mountain Vista/San Lauren)	2,420,000
Assessment District 02-1* (Avalon/Belsera/Montara/The Woods)	945,000
Assessment District 03-1* (Brighton Place/Silver Creek II)	1,610,000
Assessment District 03-2* (Buena Vista Ranch/Belsera II/Monstera II/Olive Park II)	1,495,000
Assessment District 03-3* (Seven Oaks West III/Brighton Place)	3,580,000
Assessment District 04-1 (Countryside/The Homestead)	2,420,000
Assessment District 04-2 (BL/BV/ST@Allen Com)	2,785,000
Assessment District 04-3 (Solera/Rio Vista)	2,205,000
Assessment District 05-1 (City in the Hills)	11,390,000
Assessment District 05-3 (Liberty II/Village Green/Tesorero/Encanto)	4,675,000
Assessment District 06-1 (Etcheverry/Lin II/University Park)	3,715,000
Assessment District 07-2 (Sydney Harbour)	1,635,000
	<u>\$ 48,665,000</u>

**Note: These twelve districts were refinanced into a consolidated district (12-01) with the California Statewide Communities Development Authority (CSCDA). The City continues to account for the underlying obligation of each district to properly monitor the individual principal balances and various maturity dates.*

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 19 - 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 workers' compensation claim and \$1,000,000 for each liability claim. The City participates in a joint powers authority for workers' compensation claims in excess of coverage provided by the fund up to statutory limits and participates in a joint powers authority for any excess liability claims. All funds of the City participate in the program and are charged for their share of claim expenditures. The claims liability of \$33,193,165 at June 30, 2014 is based on the requirements of GASB No. 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
2011-2012	\$ 27,322,281	\$ 10,376,559	\$ 9,215,407	\$ 28,483,433
2012-2013	28,483,433	10,950,492	8,348,541	31,085,384
2013-2014	31,085,384	11,077,445	8,969,664	33,193,165

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 ACCEL's investments. Based on information received from ACCEL as of June 30, 2014, the City had \$2,072,870 on deposit with ACCEL out of a total of approximately \$36,721,365.

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

As of June 30, 2014, ACCEL had no long-term debt. Included in total liabilities is an estimated retrospectively rated refund of \$19,169,799. Complete financial statements of ACCEL can be obtained at the City's Finance Department at 1600 Truxtun Avenue, Bakersfield, CA 93301.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 19 - RISK MANAGEMENT (continued)

A summary of the financial information for ACCEL at June 30, 2014 is as follows:

Total assets	\$ 52,857,861
Total liabilities	<u>35,072,733</u>
Total members' net position	<u>\$ 17,785,128</u>
Total revenues	\$ 13,173,613
Total expenses	<u>16,558,766</u>
Net change in members' net position	<u>\$ (3,385,153)</u>

NOTE 20 - 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 entire capacity of the former sanitary landfill has been used. The State has required environmental closure and capping 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 landfill closure was completed in May 2013 at a cost of \$4.8 million. The City's net share of this joint City/County project was approximately \$3 million. Kern County reimbursed the City for the remaining \$1.8 million.

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. Kern County will be responsible for reimbursing the City for the remainder. 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.

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 21 - 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 as of June 30, 2014 consisted of the following:

Governmental Funds:

Major Funds:	
General Fund	\$ 1,169,519
Transient Occupancy Taxes Fund	93,972
Community Development Block Grant Fund	3,801,211
Gas Tax & Road Fund	69,211,717
Capital Outlay Fund	7,594,110
Transportation Development Fund	5,002,941
Non-Major Funds:	
State (TDA) Transportation	60,774
State Safety Fund	177,209

Proprietary Funds:

Major Funds:	
Wastewater Treatment Fund	4,394,967
Refuse Collection Fund	42,942
Agriculture Water Fund	232,500
Domestic Water Fund	67,844
General Aviation Fund	32,178
Internal Service Funds:	
Self-Insurance Fund	89,520
Equipment Management Fund	4,117,173

Fiduciary Funds:

Private Purpose Trust Funds:	
Redevelopment Successor Agency Fund	5,243,823
Agency Funds:	
Improvement District Fund	2,064
	<u>\$101,334,464</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 22 - CONDUIT DEBT OBLIGATIONS

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

	Authorized and Issued	Current Outstanding at June 30, 2014
City of Bakersfield - Cottonwood Village Housing Bond, Series 2004	\$ 5,000,000	\$ 5,000,000
City of Bakersfield - Cottonwood Court Housing Bond, Series 2004	1,950,000	1,950,000
Adventist Health System / West 501(c)(3) Nonprofit Bond, Series 2005 A1 & A2	175,000,000	175,000,000
City of Bakersfield - American Baptist Homes of the West 501(c)(3) Nonprofit Bond, Series 2006	50,000,000	50,000,000
City of Bakersfield - St. John Manor Housing Bond, Series 2006	3,867,794	3,249,096
City of Bakersfield - Coventry Apartments Housing Bond, Series 2007M	5,300,000	3,700,675
City of Bakersfield - Catholic Healthcare West 501(c)(3) Nonprofit Bond, Series A thru L	676,250,000	330,000,000
City of Bakersfield - National Health Services, Inc. 501(c)(3) Nonprofit Bond, Series 2007	11,000,000	9,700,000
City of Bakersfield - Descanso Place Housing Bond, Series TT	13,000,000	1,400,000
City of Bakersfield - Bakersfield Family Apartments Housing Bond, Series R	10,971,000	1,159,549
City of Bakersfield - Camellia Place Housing Bond, Series 2009R	619,138	619,118
City of Bakersfield - Eucalyptus Village I Housing Bond, Series 2012-E1	1,295,000	1,295,000
City of Bakersfield - Eucalyptus Village II Housing Bond, Series 2012-E2	4,275,000	4,275,000
TOTAL		<u>\$ 587,348,438</u>

CITY OF BAKERSFIELD

Notes to the Financial Statements

NOTE 23 - PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2014, the City made the following prior period adjustments to restate the net position for governmental activity and related fund balance for: 1) review of capital assets by City departments identified items that were not longer in service or were recorded in the incorrect fund 2) correction of amount due from the Rabobank management company related to the selection of new contractor. See corresponding changes in statements on p. 22, p. 36, and p. 108).

Activity	Net Position Accounts		
	July 1, 2013 as previously reported	Adjustment	July 1, 2014, as restated
Net Position - Governmental Activity	\$1,422,851,616	27,943,005	1,450,794,621
Wastewater Treatment Fund	498,791,732	540,445	499,332,177
General Aviation Fund	10,387,207	\$ 182,378	\$ 10,569,585
Fund Balance Accounts			
	July 1, 2013 as previously reported	Adjustment	July 1, 2014, as restated
Transient Occupancy Taxes Fund	1,953,404	213,624	2,167,028

NOTE 24 - EXTRAORDINARY ITEM**Successor Agency Loan Write-down**

In 2009 the City and the Redevelopment Agency entered into various inter-agency loan agreements to assist with the land acquisition elements of active Redevelopment projects. The State of California dissolved all Redevelopment Agencies under AB26 on February 1, 2012 and the City of Bakersfield subsequently became the Successor Agency to the former Bakersfield Redevelopment Agency. The redevelopment dissolution laws invalidated contracts executed between cities and their former redevelopment agencies. On March 25, 2013 the Successor Agency received a "finding of completion" from the Department of Finance, which stated that the Interagency Loans were for legitimate redevelopment purposes and therefore qualify as enforceable obligations under Health and Safety Code 34191.4. These loans between the City and Successor Agency (Former Redevelopment Agency (RDA)) were reinstated on the Recognized Obligation Payments Schedule (ROPS) 14-15A per Oversight Board Resolution No. OB 002-13. As part of the reinstatement the loan repayments are governed by the criteria in Health and Safety Code (HSC) section 34191.4(a)(2). Repayment of the loans included a reduced interest from loan inception to the LAIF rate of .244% at time of reinstatement. The loan reduction due to the interest recalculation is \$364,554. The repayment amount is calculated to not exceed 50% of the increase in the residual amount paid to local agencies and school entities for that present fiscal year compared to said residual amounts distributed in fiscal year 2012-13, as described in Health & Safety Code 34191(b)(2)(A). Further, loan balances were reduced by 20% to be paid to the Successor Agency Housing Fund which was established by Health and Safety Code 34176(d) in accordance with RDA dissolution law. The loan reduction based on the 20% being diverted to Successor Agency Housing is \$572,106. The total loan reduction for interagency loans between the City and Successor Agency is \$936,660.



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 accounting principles generally accepted in the United States of America.

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 Manager's Office approves all carryovers that are not encumbered as of June 30 of each year.

The amounts carried forward from fiscal year ended June 30, 2013 to fiscal year ended June 30, 2014 totaled \$284,447,721.

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

BUDGETARY INFORMATION (continued)

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

**Budgetary Comparison Schedule, General Fund
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1	<u>\$ 61,905,894</u>	<u>\$ 61,905,894</u>	<u>\$ 61,905,894</u>	<u>\$ -</u>
Revenues:				
Taxes	142,155,000	142,155,000	149,394,000	7,239,000
Licenses and permits	2,308,300	2,406,238	3,439,743	1,033,505
Intergovernmental	2,069,732	4,150,217	2,962,685	(1,187,532)
Charges for services	17,063,568	17,280,268	20,568,887	3,288,619
Fines, forfeitures and assessments	505,500	575,500	919,484	343,984
Interest income	111,000	111,000	858,307	747,307
Contributions and donations	-	193,653	453,888	260,235
Other	176,900	191,900	1,134,803	942,903
Transfers from other funds	1,100,000	1,100,000	1,100,000	-
Amount available for appropriation	<u>\$ 165,490,000</u>	<u>\$ 168,163,776</u>	<u>\$ 180,831,797</u>	<u>\$ 12,668,021</u>
Expenditures:				
General government	\$ 11,972,798	\$ 12,457,881	\$ 11,519,507	\$ 938,374
Public safety - Police	76,477,371	79,960,787	76,450,461	3,510,326
Public safety - Fire	32,801,014	34,201,033	33,781,870	419,163
Public works	24,998,585	25,457,223	24,425,408	1,031,815
Recreation and parks	17,815,093	18,543,348	18,439,152	104,196
Community development	7,151,639	7,510,635	6,879,140	631,495
Non-departmental	14,408,208	10,665,176	6,589,727	4,075,449
Contingency	250,000	250,000	-	250,000
Transfers to other funds	6,764,900	10,095,532	10,095,532	-
Total charges to appropriations	<u>192,639,608</u>	<u>199,141,615</u>	<u>188,180,797</u>	<u>10,960,818</u>
Amount of resources over (under) charges to appropriations	<u>(27,149,608)</u>	<u>(30,977,839)</u>	<u>(7,349,000)</u>	<u>23,628,839</u>
Fund balance, June 30	<u>\$ 34,756,286</u>	<u>\$ 30,928,055</u>	<u>\$ 54,556,894</u>	<u>\$ 23,628,839</u>

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

BUDGETARY INFORMATION (continued)

**Budgetary Comparison Schedule, Transient Occupancy Taxes Fund
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1 - as restated	<u>\$ 2,167,028</u>	<u>\$ 2,167,028</u>	<u>\$ 2,167,028</u>	<u>\$ -</u>
Revenues:				
Taxes	8,000,000	8,000,000	8,826,003	826,003
Charges for services	6,726,663	6,726,663	6,267,450	(459,213)
Interest income	20,000	20,000	36,107	16,107
Contributions and donations	1,200,000	1,200,000	1,200,000	-
Other income	-	-	621,671	621,671
Amount available for appropriation	<u>\$ 15,946,663</u>	<u>\$ 15,946,663</u>	<u>\$ 16,951,231</u>	<u>\$ 1,004,568</u>
Expenditures:				
Recreation and parks	\$ 7,919,457	\$ 8,019,736	\$ 7,841,088	\$ 178,648
Non-departmental	3,143,000	3,143,000	3,143,000	-
Transfers to other funds	4,500,000	4,554,125	4,554,124	1
Total charges to appropriations	<u>15,562,457</u>	<u>15,716,861</u>	<u>15,538,212</u>	<u>178,649</u>
Amount of resources over (under) charges to appropriations	<u>384,206</u>	<u>229,802</u>	<u>1,413,019</u>	<u>1,183,217</u>
Fund balance, June 30	<u>\$ 2,551,234</u>	<u>\$ 2,396,830</u>	<u>\$ 3,580,047</u>	<u>\$ 1,183,217</u>

**Budgetary Comparison Schedule, Community Development Block Grant Fund
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1	<u>\$ 361,685</u>	<u>\$ 361,685</u>	<u>\$ 361,685</u>	<u>\$ -</u>
Revenues:				
Intergovernmental	4,436,350	14,580,679	5,358,955	(9,221,724)
Charges for services	-	-	19	19
Interest income	-	-	3,207	3,207
Loan payments	37,000	(1,403,000)	247,775	1,650,775
Other income	-	-	11,496	11,496
Amount available for appropriation	<u>\$ 4,473,350</u>	<u>\$ 13,177,679</u>	<u>\$ 5,621,452</u>	<u>\$ (7,556,227)</u>
Expenditures:				
Community development	\$ 3,135,231	\$ 6,298,568	\$ 3,085,504	\$ 3,213,064
Capital outlay	360,525	6,480,379	1,891,619	4,588,760
Transfers to other funds	591,433	591,433	584,434	6,999
Total charges to appropriations	<u>4,087,189</u>	<u>13,370,380</u>	<u>5,561,557</u>	<u>7,808,823</u>
Amount of resources over (under) charges to appropriations	<u>386,161</u>	<u>(192,701)</u>	<u>59,895</u>	<u>252,596</u>
Fund balance, June 30	<u>\$ 747,846</u>	<u>\$ 168,984</u>	<u>\$ 421,580</u>	<u>\$ 252,596</u>

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

BUDGETARY INFORMATION (continued)

**Budgetary Comparison Schedule, Gas Tax & Road Fund
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1	<u>\$ 5,665,425</u>	<u>\$ 5,665,425</u>	<u>\$ 5,665,425</u>	<u>\$ -</u>
Revenues:				
Intergovernmental	69,094,117	376,898,128	58,456,014	(318,442,114)
Fines, forfeitures and assessments	10,000	10,000	111,035	101,035
Interest income	25,000	25,000	78,858	53,858
Other income	-	-	22,762	22,762
Amount available for appropriation	<u>\$ 69,129,117</u>	<u>\$376,933,128</u>	<u>\$ 58,668,669</u>	<u>\$ (318,264,459)</u>
Expenditures:				
Public works	\$ -	\$ 89,550	\$ 61,990	\$ 27,560
Capital outlay	<u>70,074,117</u>	<u>381,628,234</u>	<u>52,550,693</u>	<u>329,077,541</u>
Total charges to appropriations	<u>70,074,117</u>	<u>381,717,784</u>	<u>52,612,683</u>	<u>329,105,101</u>
Amount of resources over (under) charges to appropriations	<u>(945,000)</u>	<u>(4,784,656)</u>	<u>6,055,986</u>	<u>10,840,642</u>
Fund balance, June 30	<u>\$ 4,720,425</u>	<u>\$ 880,769</u>	<u>\$ 11,721,411</u>	<u>\$ 10,840,642</u>

DEFINED PENSION PLAN

A schedule of funding progress for the year ended June 30, 2013 (most recent actuarial dated information) including the past nine actuarial valuations is presented below.

	Actuarial Valuation Date	Actuarial Asset Value*	Entry Age Actuarial Accrued Liability	Underfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Miscellaneous	06/30/04	\$192,771,610	\$220,986,653	\$ 28,215,043	87.2%	\$ 34,144,465	82.6%
Employees Group	06/30/05	208,030,836	237,796,477	29,765,641	87.5%	40,150,566	74.1%
	06/30/06	226,451,746	255,095,541	28,643,795	88.8%	43,527,124	65.8%
	06/30/07	248,242,640	276,470,476	28,227,806	89.8%	48,981,407	57.6%
	06/30/08	248,242,670	276,470,476	28,227,806	89.8%	48,981,407	57.6%
	06/30/09	283,394,099	336,972,452	53,578,353	84.1%	52,095,507	102.8%
	06/30/10	298,395,830	353,164,518	54,768,688	84.5%	50,693,452	108.0%
	06/30/11	314,512,484	376,382,028	61,869,544	83.6%	49,274,356	125.6%
	06/30/12	330,372,268	393,965,601	63,593,333	83.9%	48,928,860	130.0%
	06/30/13	307,949,621	422,087,276	114,137,655	73.0%	51,509,037	221.6%

* Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

CITY OF BAKERSFIELD

Required Supplementary Information (continued)

DEFINED PENSION PLAN (continued)

	Actuarial Valuation Date	Actuarial Asset Value*	Entry Age Actuarial Accrued Liability	Underfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Police Safety	06/30/04	147,387,137	194,008,124	46,620,987	76.0%	21,805,516	213.8%
Employee Group	06/30/05	160,921,545	208,572,116	47,650,571	77.2%	22,543,104	211.4%
	06/30/06	175,933,055	228,096,765	52,163,710	77.1%	24,796,549	210.4%
	06/30/07	192,579,453	247,804,969	55,225,516	77.7%	26,707,658	206.8%
	06/30/08	207,137,825	265,125,957	57,988,132	78.1%	27,284,866	212.5%
	06/30/09	217,486,909	286,500,738	69,013,829	75.9%	27,322,237	252.6%
	06/30/10	228,195,091	299,121,868	70,926,777	76.3%	28,008,505	253.2%
	06/30/11	241,189,946	321,160,693	79,970,747	75.1%	28,310,792	282.5%
	06/30/12	253,424,956	338,319,629	84,894,673	74.9%	28,384,581	299.1%
	06/30/13	236,109,546	363,563,770	127,454,224	64.9%	29,607,871	430.5%
Fire Safety	06/30/04	119,692,263	136,596,056	16,903,793	87.6%	12,719,475	132.9%
Employee Group	06/30/05	129,535,660	145,627,905	16,092,245	88.9%	13,717,142	117.3%
	06/30/06	139,944,092	156,354,757	16,410,665	89.5%	14,362,096	114.3%
	06/30/07	151,385,127	166,571,394	15,186,267	90.9%	15,134,819	100.3%
	06/30/08	161,154,797	179,566,772	18,411,975	89.7%	15,278,771	120.5%
	06/30/09	167,477,452	190,116,653	22,639,201	88.1%	15,524,645	145.8%
	06/30/10	173,944,069	196,834,845	22,890,776	152.5%	15,009,038	152.5%
	06/30/11	181,397,284	206,961,052	25,563,768	87.6%	14,645,522	174.6%
	06/30/12	186,508,246	214,133,763	27,625,517	87.1%	14,568,547	189.6%
	06/30/13	170,062,171	226,427,274	56,365,103	75.1%	15,101,053	373.3%

* Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

OTHER POST-EMPLOYMENT BENEFITS (OPEB) IRREVOCABLE TRUST

I. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ 46,532,951	\$ 110,400,975	\$ 63,868,024	42.1%	\$ 56,277,827	113.5%

DEFINED BENEFIT PENSION TRUST

I. Schedule of Funding Progress (Fire - FRFP)

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
6/30/2010	\$1,447,478	\$1,146,478	\$(301,000)	126%	\$0	N/A
6/30/2011	1,447,478	1,146,478	(301,000)	126%	0	N/A
6/30/2012	1,341,914	1,327,284	(14,630)	101%	0	N/A
6/30/2013	1,341,914	1,327,284	(14,630)	101%	0	N/A
6/30/2014	1,111,005	1,292,739	181,734	86%	0	N/A



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General Fund

This fund was established to account for the revenues and expenditures to carry out basic governmental activities of the City of Bakersfield such as a 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, 2014**

	General Fund
Assets:	
Cash and investments	\$ 33,365,422
Accounts receivable, net	1,423,293
Interest receivable	92,425
Due from other governmental agencies	13,498,519
Due from other funds	20,332,632
Prepaid items	<u>2,181</u>
Total assets	<u>\$ 68,714,472</u>
Liabilities, Deferred Inflows of Resources and Fund Balance:	
Liabilities:	
Accounts payable	\$ 6,586,356
Due to other governmental agencies	2,072,744
Advances from grantors and third parties	<u>1,286,529</u>
Total liabilities	<u>9,945,629</u>
Deferred Inflows of Resources	
Unearned revenue	<u>4,211,949</u>
Fund Balance:	
Nonspendable	3,181
Committed	
Cash basis reserve	12,679,146
Contractual obligations	785,558
Assigned	
Petty cash	21,970
Non-contractual encumbrances	383,961
Compensated absences	6,934,107
Appropriations for new year budget	24,996,119
Appropriations for CalPERS increases	2,250,000
Unassigned	<u>6,502,852</u>
Total fund balance	<u>54,556,894</u>
Total liabilities, deferred inflow of resources and fund balance	<u>\$ 68,714,472</u>

CITY OF BAKERSFIELD**Schedule of Revenues by Function - General Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variance with Final Budget
Revenues:			
Taxes:			
Property taxes	\$ 60,915,000	\$ 66,439,853	\$ 5,524,853
Sales and use taxes	71,415,000	72,442,178	1,027,178
Property transfer tax	700,000	988,423	288,423
Utility franchise tax	5,725,000	5,915,988	190,988
Business license tax	<u>3,400,000</u>	<u>3,607,558</u>	<u>207,558</u>
Total taxes	<u>142,155,000</u>	<u>149,394,000</u>	<u>7,239,000</u>
Licenses and permits:			
Building permits	1,430,000	2,072,291	642,291
Planning permits	53,950	65,285	11,335
Public works permits	415,000	612,029	197,029
Police permits	208,000	328,108	120,108
Other licenses and permits	<u>299,288</u>	<u>362,030</u>	<u>62,742</u>
Total licenses and permits	<u>2,406,238</u>	<u>3,439,743</u>	<u>1,033,505</u>
Intergovernmental:			
Federal grants	2,416,652	1,501,561	(915,091)
State of California	1,350,666	1,035,375	(315,291)
Other grants	<u>382,899</u>	<u>425,749</u>	<u>42,850</u>
Total intergovernmental	<u>4,150,217</u>	<u>2,962,685</u>	<u>(1,187,532)</u>
Charges for services:			
Building	1,450,000	2,104,276	654,276
Planning	219,568	368,451	148,883
Public works	393,500	1,196,463	802,963
Police	494,000	743,947	249,947
Fire	4,000,000	4,129,543	129,543
Recreation and parks	992,200	1,095,297	103,097
Interfund charges	9,640,000	10,727,816	1,087,816
Other charges	<u>91,000</u>	<u>203,094</u>	<u>112,094</u>
Total charges for services	<u>17,280,268</u>	<u>20,568,887</u>	<u>3,288,619</u>
Fines, forfeitures, and assessments	<u>575,500</u>	<u>919,484</u>	<u>343,984</u>
Miscellaneous:			
Interest income	111,000	310,435	199,435
Net increase (decrease) in the fair value of investments	-	547,872	547,872
Contributions and donations	193,653	453,888	260,235
Other income	<u>191,900</u>	<u>1,134,803</u>	<u>942,903</u>
Total miscellaneous	<u>496,553</u>	<u>2,446,998</u>	<u>1,950,445</u>
Total revenues	<u>\$ 167,063,776</u>	<u>\$ 179,731,797</u>	<u>\$ 12,668,021</u>

CITY OF BAKERSFIELD**Schedule of Expenditures by Division - General Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variance with Final Budget
General Government:			
Mayor & council	\$ 440,487	\$ 404,875	\$ 35,612
City manager	1,024,793	986,957	37,836
City clerk	883,060	854,008	29,052
Human resources	1,267,340	1,214,397	52,943
Information technology	3,532,065	3,244,511	287,554
Financial services	2,895,522	2,816,655	78,867
City attorney	2,414,614	1,998,104	416,510
Total general government	12,457,881	11,519,507	938,374
Public Safety:			
Public safety - Police	79,960,787	76,450,461	3,510,326
Public safety - Fire	34,201,033	33,781,870	419,163
Total public safety	114,161,820	110,232,331	3,929,489
Public Works:			
Administration	586,302	614,540	(28,238)
Engineering	5,444,482	5,181,135	263,347
General services	11,440,426	11,091,262	349,164
Streets and roads	7,986,013	7,538,471	447,542
Total public works	25,457,223	24,425,408	1,031,815
Recreation and Parks:			
Administration	1,188,587	1,146,733	41,854
Recreation	2,964,743	2,839,125	125,618
Parks	14,390,018	14,453,294	(63,276)
Total recreation and parks	18,543,348	18,439,152	104,196
Community Development:			
Planning	2,149,638	2,004,183	145,455
Building	5,360,997	4,874,957	486,040
Total community development	7,510,635	6,879,140	631,495
Non departmental	10,665,176	6,589,727	4,075,449
Contingency	250,000	-	250,000
Total General Fund Expenditures	<u>\$ 189,046,083</u>	<u>\$ 178,085,265</u>	<u>\$ 10,960,818</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 Taxes 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 Bakersfield Ice Sports Center operating revenues and expenditures are recorded in this fund. This fund is also used to account for duties performed by the Greater Bakersfield Convention and Visitors Bureau.

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.

National Stabilization Fund is used to account for resources provided by the Federal Housing and Economic Recovery Act of 2008 to address congressionally identified needs of abandoned and foreclosed homes in the City. These funds are used for down payment assistance, acquisition of Real Estate Owned (REO) lender assets properties that have been foreclosed upon for redevelopment, rehabilitation of acquired residential structures, and demolition of blighted structures.

American Recovery & Reinvestment Act Fund is used to account for the City's portion of American Recovery & Reinvestment Act funds received from the Federal government to help improve the local economy. These funds were received for Public Safety, Community Development, and Public Works projects.

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 (CMAQ) funds 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 routes. Transportation Enhancement Activities (TEA) Program projects have a direct relationship to the intermodal transportation system by function, proximity, or impact. Lastly, the Highway 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 (TDA) 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 1/4% of sales tax authorized by SB 325. State law requires these sales tax dollars be used for street purposes. These funds are received and expended by the City as lead agency servicing the local road network. All three revenue resources 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 of California 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.

Redevelopment Successor Agency Housing Fund was created on February 1, 2012, pursuant to the provisions of the Redevelopment Restructuring Act. The City has chosen to assume the housing functions and take over the housing assets of the former Redevelopment Agency.

CITY OF BAKERSFIELD

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Special Revenue Funds
Year Ended June 30, 2014**

	Transient Occupancy Taxes		
	Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 8,000,000	\$ 8,826,003	\$ 826,003
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	6,726,663	6,267,450	(459,213)
Fines, forfeitures, and assessments	-	-	-
Interest income	20,000	36,107	16,107
Loan payments	-	-	-
Contributions and donations	1,200,000	1,200,000	-
Other income	-	621,671	621,671
Total revenues	<u>15,946,663</u>	<u>16,951,231</u>	<u>1,004,568</u>
Expenditures			
Current:			
Public safety - Police	-	-	-
Public safety - Fire	-	-	-
Public works	-	-	-
Recreation and parks	8,019,736	7,841,088	178,648
Community development	-	-	-
Non-departmental	3,143,000	3,143,000	-
Capital outlay:			
Transportation:			
Traffic control	-	-	-
Streets / Freeways	-	-	-
Bridges	-	-	-
Curbs, gutters and sidewalks	-	-	-
Public facilities:			
Buildings	-	-	-
Parks and landscaping	-	-	-
Land acquisition	-	-	-
Other improvements	-	-	-
Total expenditures	<u>11,162,736</u>	<u>10,984,088</u>	<u>178,648</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,783,927</u>	<u>5,967,143</u>	<u>1,183,216</u>
Other financing sources (uses):			
Transfers out	(4,554,125)	(4,554,124)	1
Total other financing uses	<u>(4,554,125)</u>	<u>(4,554,124)</u>	<u>1</u>
Net change in fund balances	229,802	1,413,019	1,183,217
Fund balances - beginning - as restated	<u>2,167,028</u>	<u>2,167,028</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,396,830</u>	<u>\$ 3,580,047</u>	<u>\$ 1,183,217</u>

Community Development Block Grant			National Stabilization		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,580,679	5,358,955	(9,221,724)	1,096,967	1,096,983	16
-	19	19	-	-	-
-	-	-	-	-	-
-	3,207	3,207	-	-	-
(1,403,000)	247,775	1,650,775	-	4,000	4,000
-	-	-	-	-	-
-	11,496	11,496	-	-	-
<u>13,177,679</u>	<u>5,621,452</u>	<u>(7,556,227)</u>	<u>1,096,967</u>	<u>1,100,983</u>	<u>4,016</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,298,568	3,085,504	3,213,064	1,096,967	1,096,983	(16)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,751,609	1,515,983	3,235,626	-	-	-
61,606	-	61,606	-	-	-
6,639	-	6,639	-	-	-
1,300,000	15,382	1,284,618	-	-	-
<u>360,525</u>	<u>360,254</u>	<u>271</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,778,947</u>	<u>4,977,123</u>	<u>7,801,824</u>	<u>1,096,967</u>	<u>1,096,983</u>	<u>(16)</u>
<u>398,732</u>	<u>644,329</u>	<u>245,597</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
(591,433)	(584,434)	(6,999)	-	-	-
(591,433)	(584,434)	(6,999)	-	-	-
(192,701)	59,895	252,596	-	4,000	4,000
<u>361,685</u>	<u>361,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 168,984</u>	<u>\$ 421,580</u>	<u>\$ 252,596</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 4,000</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, 2014**

	American Recovery & Reinvestment Act		
	Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	70,500	98,349	27,849
Charges for services	-	-	-
Fines, forfeitures, and assessments	-	-	-
Interest income	-	-	-
Loan payments	-	-	-
Contributions and donations	-	-	-
Other income	-	-	-
Total revenues	<u>70,500</u>	<u>98,349</u>	<u>27,849</u>
Expenditures			
Current:			
Public safety - Police	70,500	98,349	(27,849)
Public safety - Fire	-	-	-
Public works	-	-	-
Recreation and parks	-	-	-
Community development	-	-	-
Non-departmental	-	-	-
Capital outlay:			
Transportation:			
Traffic control	-	-	-
Streets / Freeways	-	-	-
Bridges	-	-	-
Curbs, gutters and sidewalks	-	-	-
Public facilities:			
Buildings	-	-	-
Parks and landscaping	-	-	-
Land acquisition	-	-	-
Other improvements	-	-	-
Total expenditures	<u>70,500</u>	<u>98,349</u>	<u>(27,849)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Transfers out	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning - as restated	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Gas Tax & Road Fund			State (TDA) Transportation		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
376,898,128	58,456,014	(318,442,114)	3,427,172	774,765	(2,652,407)
-	-	-	-	-	-
10,000	111,035	101,035	-	-	-
25,000	78,858	53,858	500	2,954	2,454
-	-	-	-	-	-
-	-	-	-	-	-
-	22,762	22,762	-	-	-
<u>376,933,128</u>	<u>58,668,669</u>	<u>(318,264,459)</u>	<u>3,427,672</u>	<u>777,719</u>	<u>(2,649,953)</u>
-	-	-	-	-	-
-	-	-	-	-	-
89,550	61,990	27,560	320,172	226,989	93,183
-	-	-	30,300	29,363	937
-	-	-	-	-	-
-	-	-	-	-	-
5,527,984	1,294,998	4,232,986	-	-	-
369,362,595	51,151,430	318,211,165	-	-	-
6,340,487	104,265	6,236,222	-	-	-
397,168	-	397,168	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,077,200	521,367	2,555,833
<u>381,717,784</u>	<u>52,612,683</u>	<u>329,105,101</u>	<u>3,427,672</u>	<u>777,719</u>	<u>2,649,953</u>
<u>(4,784,656)</u>	<u>6,055,986</u>	<u>10,840,642</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
(4,784,656)	6,055,986	10,840,642	-	-	-
<u>5,665,425</u>	<u>5,665,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 880,769</u>	<u>\$ 11,721,411</u>	<u>\$ 10,840,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014**

	State Safety Fund		
	Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	194,000	204,284	10,284
Intergovernmental	627,660	648,909	21,249
Charges for services	1,091,000	1,190,591	99,591
Fines, forfeitures, and assessments	1,100,000	1,252,064	152,064
Interest income	4,500	20,704	16,204
Loan payments	-	-	-
Contributions and donations	-	-	-
Other income	-	-	-
Total revenues	<u>3,017,160</u>	<u>3,316,552</u>	<u>299,392</u>
Expenditures			
Current:			
Public safety - Police	1,130,053	955,457	174,596
Public safety - Fire	1,186,044	1,113,203	72,841
Public works	-	-	-
Recreation and parks	-	-	-
Community development	-	-	-
Non-departmental	-	-	-
Capital outlay:			
Transportation:			
Traffic control	-	-	-
Streets / Freeways	-	-	-
Bridges	-	-	-
Curbs, gutters and sidewalks	-	-	-
Public facilities:			
Buildings	-	-	-
Parks and landscaping	-	-	-
Land acquisition	-	-	-
Other improvements	-	-	-
Total expenditures	<u>2,316,097</u>	<u>2,068,660</u>	<u>247,437</u>
Excess (deficiency) of revenues over (under) expenditures	<u>701,063</u>	<u>1,247,892</u>	<u>546,829</u>
Other financing sources (uses):			
Transfers out	(1,100,000)	(1,100,000)	-
Total other financing uses	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>-</u>
Net change in fund balances	(398,937)	147,892	546,829
Fund balances - beginning - as restated	<u>1,026,375</u>	<u>1,026,375</u>	<u>-</u>
Fund balances - ending	<u>\$ 627,438</u>	<u>\$ 1,174,267</u>	<u>\$ 546,829</u>

Redevelopment Successor Agency - Housing			Totals		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ -	\$ 175,000	\$ 175,000	\$ 8,000,000	\$ 9,001,003	\$ 1,001,003
-	-	-	194,000	204,284	10,284
-	-	-	396,701,106	66,433,975	(330,267,131)
-	14,235	14,235	7,817,663	7,472,295	(345,368)
-	-	-	1,110,000	1,363,099	253,099
13,000	56,963	43,963	63,000	198,793	135,793
-	-	-	(1,403,000)	251,775	1,654,775
-	-	-	1,200,000	1,200,000	-
<u>93,500</u>	<u>27,935</u>	<u>(65,565)</u>	<u>93,500</u>	<u>683,864</u>	<u>590,364</u>
<u>106,500</u>	<u>274,133</u>	<u>167,633</u>	<u>413,776,269</u>	<u>86,809,088</u>	<u>(326,967,181)</u>
-	-	-	1,200,553	1,053,806	146,747
-	-	-	1,186,044	1,113,203	72,841
-	-	-	409,722	288,979	120,743
-	-	-	8,050,036	7,870,451	179,585
4,882,741	259,667	4,623,074	12,278,276	4,442,154	7,836,122
-	-	-	3,143,000	3,143,000	-
-	-	-	5,527,984	1,294,998	4,232,986
-	-	-	369,362,595	51,151,430	318,211,165
-	-	-	6,340,487	104,265	6,236,222
-	-	-	5,148,777	1,515,983	3,632,794
-	-	-	61,606	-	61,606
-	-	-	6,639	-	6,639
-	-	-	1,300,000	15,382	1,284,618
-	-	-	<u>3,437,725</u>	<u>881,621</u>	<u>2,556,104</u>
<u>4,882,741</u>	<u>259,667</u>	<u>4,623,074</u>	<u>417,453,444</u>	<u>72,875,272</u>	<u>344,578,172</u>
<u>(4,776,241)</u>	<u>14,466</u>	<u>4,790,707</u>	<u>(3,677,175)</u>	<u>13,933,816</u>	<u>17,610,991</u>
-	-	-	(6,245,558)	(6,238,558)	7,000
-	-	-	(6,245,558)	(6,238,558)	7,000
(4,776,241)	14,466	4,790,707	(9,922,733)	7,695,258	17,617,991
<u>2,759,204</u>	<u>2,759,204</u>	<u>-</u>	<u>11,979,717</u>	<u>11,979,717</u>	<u>18,516,761</u>
<u>\$ (2,017,037)</u>	<u>\$ 2,773,670</u>	<u>\$ 4,790,707</u>	<u>\$ 2,056,984</u>	<u>\$ 19,674,975</u>	<u>\$ 36,134,752</u>

CITY OF BAKERSFIELD

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the Fiscal Year Ended June 30, 2014**

	General Obligation Debt		
	Budget	Actual	Variance with Final Budget
Revenues:			
Interest income	-	-	-
Total revenues	-	-	-
Expenditures:			
Debt service:			
Principal retirement	489,125	443,124	46,001
Interest and fiscal charges	231,364	195,434	35,930
Total expenditures	720,489	638,558	81,931
Deficiency of revenues under expenditures	(720,489)	(638,558)	81,931
Other financing sources:			
Transfers in	645,558	638,558	(7,000)
Total other financing sources	645,558	638,558	(7,000)
Net change in fund balances	(74,931)	-	74,931
Fund balance - beginning	-	-	-
Fund balance - ending	\$ (74,931)	\$ -	\$ 74,931

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 Highway 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.

Park Improvement 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 Kern 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.

CITY OF BAKERSFIELD

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Capital Projects Funds
For the Fiscal Year Ended June 30, 2014**

	Special Assessment Dist - Capital		
	Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines, forfeitures, and assessments	-	-	-
Interest income	-	411	411
Contributions and donations	-	-	-
Other income	-	-	-
Total revenues	-	411	411
Expenditures:			
Current:			
General government	-	-	-
Public works	-	-	-
Non-departmental	-	642,875	(642,875)
Capital outlay:			
Transportation:			
Traffic control	-	-	-
Streets	2,336,362	870,509	1,465,853
Bridges	-	-	-
Streets / Freeways	-	-	-
Public facilities:			
Buildings	-	-	-
Parks and landscaping	-	-	-
Land acquisition	-	-	-
Other improvements	-	-	-
Equipment:			
Computers	-	-	-
Non-automotive	-	-	-
Total expenditures	2,336,362	1,513,384	822,978
Excess (deficiency) of revenues over (under) expenditures	(2,336,362)	(1,512,973)	823,389
Other financing sources (uses):			
Transfers in	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(2,336,362)	(1,512,973)	823,389
Fund balances - beginning - as restated	6,433,882	6,433,882	-
Fund balances - ending	\$ 4,097,520	\$ 4,920,909	\$ 823,389

Capital Outlay			Park Improvement Fund		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ 4,675,000	\$ 4,974,371	\$ 299,371	\$ -	\$ -	\$ -
3,278,422	41,650,166	38,371,744	-	-	-
228,978	85,130	(143,848)	-	-	-
1,200,000	-	(1,200,000)	1,037,879	2,149,215	1,111,336
20,000	157,012	137,012	20,000	78,761	58,761
548,326	554,044	5,718	-	-	-
1,079,732	274,065	(805,667)	-	-	-
11,030,458	47,694,788	36,664,330	1,057,879	2,227,976	1,170,097
-	-	-	-	-	-
-	-	-	-	-	-
862,578	313,619	548,959	112,879	37,158	75,721
-	-	-	-	-	-
26,601,076	13,567,952	13,033,124	-	-	-
394,462	-	394,462	-	-	-
-	-	-	-	-	-
7,716,284	2,271,752	5,444,532	-	-	-
3,993,285	845,340	3,147,945	2,806,708	5,723	2,800,985
-	-	-	1,750,233	-	1,750,233
2,732,910	1,072,158	1,660,752	542,637	334,594	208,043
95,000	49,810	45,190	-	-	-
286,995	221,519	65,476	-	-	-
42,682,590	18,342,150	24,340,440	5,212,457	377,475	4,834,982
(31,652,132)	29,352,638	61,004,770	(4,154,578)	1,850,501	6,005,079
14,330,632	14,330,632	-	-	-	-
14,330,632	14,330,632	-	-	-	-
(17,321,500)	43,683,270	61,004,770	(4,154,578)	1,850,501	6,005,079
24,131,844	24,131,844	-	5,112,642	5,112,642	-
\$ 6,810,344	\$ 67,815,114	\$ 61,004,770	\$ 958,064	\$ 6,963,143	\$ 6,005,079

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, 2014**

	Transportation Development			Totals		
	Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 4,675,000	\$ 4,974,371	\$ (299,371)
Intergovernmental	1,661,000	1,462,671	(198,329)	4,939,422	43,112,837	38,173,415
Charges for services	100,000	182,660	82,660	328,978	267,790	(61,188)
Fines, forfeitures, and assessments	12,252,000	21,300,984	9,048,984	14,489,879	23,450,199	8,960,320
Interest income	25,000	311,384	286,384	65,000	547,568	482,568
Contributions and donations	-	-	-	548,326	554,044	5,718
Other income	3,000,000	409,695	(2,590,305)	4,079,732	683,760	(3,395,972)
Total revenues	17,038,000	23,667,394	6,629,394	24,451,337	68,616,198	44,164,861
Expenditures:						
Current:						
General government	390,496	368,958	21,538	390,496	368,958	21,538
Public works	1,285,922	1,029,968	255,954	1,285,922	1,029,968	255,954
Non-departmental	-	-	-	975,457	993,652	(18,195)
Capital outlay:						
Transportation:						
Traffic control	1,395,306	815,811	579,495	1,395,306	815,811	579,495
Streets	19,174,766	8,217,189	10,957,577	48,112,204	22,655,650	25,456,554
Bridges	563,009	471,686	91,323	957,471	471,686	485,785
Streets / Freeways	32,060,401	11,284,824	20,775,577	32,060,401	11,284,824	20,775,577
Public facilities:						
Buildings	-	-	-	7,716,284	2,271,752	5,444,532
Parks and landscaping	-	-	-	6,799,993	851,063	5,948,930
Land acquisition	-	-	-	1,750,233	-	1,750,233
Other improvements	-	-	-	3,275,547	1,406,752	1,868,795
Equipment:						
Computers	-	-	-	95,000	49,810	45,190
Non-automotive	-	-	-	286,995	221,519	65,476
Total expenditures	54,869,900	22,188,436	32,681,464	105,101,309	42,421,445	62,679,864
Excess (deficiency) of revenues over (under) expenditures	(37,831,900)	1,478,958	39,310,858	(75,974,972)	31,169,124	106,545,354
Other financing sources (uses):						
Transfers in	-	-	-	14,330,632	14,330,632	-
Total other financing sources (uses)	-	-	-	14,330,632	14,330,632	-
Net change in fund balances	(37,831,900)	1,478,958	39,310,858	(61,644,340)	45,499,756	106,545,354
Fund balances - beginning - as restated	41,442,106	41,442,106	-	77,120,474	77,120,474	-
Fund balances - ending	\$ 3,610,206	\$ 42,921,064	\$ 39,310,858	\$ 15,476,134	\$ 122,620,230	\$ 106,545,354

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 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 Position
All Internal Service Funds
June 30, 2014

	Self- Insurance	Equipment Management	Total
Assets:			
Current assets:			
Cash and investments	\$ 29,919,263	\$ 21,673,813	\$ 51,593,076
Accounts receivable, net	32,572	57,012	89,584
Interest receivable	57,130	40,427	97,557
Notes/loans receivable	177,938	335,202	513,140
Due from other governmental agencies	32,873	-	32,873
Prepayments and inventories	-	1,026,904	1,026,904
	<u>30,219,776</u>	<u>23,133,358</u>	<u>53,353,134</u>
Total current assets			
Noncurrent assets:			
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net	-	29,368,815	29,368,815
Notes/loans receivable	615,600	1,159,680	1,775,280
	<u>615,600</u>	<u>30,528,495</u>	<u>31,144,095</u>
Total noncurrent assets			
Total assets	<u>30,835,376</u>	<u>53,661,853</u>	<u>84,497,229</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	351,849	1,765,182	2,117,031
Claims payable	3,770,165	-	3,770,165
Workers' compensation claims	5,022,000	-	5,022,000
Compensated absences payable	-	480,216	480,216
	<u>9,144,014</u>	<u>2,245,398</u>	<u>11,389,412</u>
Total current liabilities			
Noncurrent liabilities:			
Workers' compensation claims	24,401,000	-	24,401,000
Compensated absences payable	24,135	213,770	237,905
	<u>24,425,135</u>	<u>213,770</u>	<u>24,638,905</u>
Total noncurrent liabilities			
Total liabilities	<u>33,569,149</u>	<u>2,459,168</u>	<u>36,028,317</u>
Net position:			
Net investment in capital assets	-	29,368,815	29,368,815
Unrestricted	(2,733,773)	21,833,870	19,100,097
	<u>(2,733,773)</u>	<u>21,833,870</u>	<u>19,100,097</u>
Total net position	<u>\$ (2,733,773)</u>	<u>\$ 51,202,685</u>	<u>\$ 48,468,912</u>

CITY OF BAKERSFIELD

**Combining Statement of Activities and Changes in Net Position
All Internal Service Funds
For the Fiscal Year Ended June 30, 2014**

	Self-Insurance Fund	Equipment Management	Totals
Operating revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	10,046,287	22,368,773	32,415,060
Cost recoveries	1,464,209	69,727	1,533,936
Miscellaneous	7,778	15,422	23,200
Total operating revenues	11,518,274	22,453,922	33,972,196
Operating expenses:			
General and administrative	9,312,218	18,541,725	27,853,943
Workers' compensation payments	2,475,201	-	2,475,201
Claims paid	810,813	-	810,813
Depreciation and amortization	-	5,186,608	5,186,608
Compensated absences	7,215	-	7,215
Total operating expenses	12,605,447	23,728,333	36,333,780
Operating income (loss)	(1,087,173)	(1,274,411)	(2,361,584)
Nonoperating revenues (expenses):			
Interest income	384,655	271,661	656,316
Gain/(loss) on sale of real property	-	126,283	126,283
Income (loss) before transfers and capital contributions	(702,518)	(876,467)	(1,578,985)
Capital contributions	-	395,343	395,343
Transfers in	-	1,808,852	1,808,852
Transfers out	(54,452)	-	(54,452)
Change in net position before extraordinary item	(756,970)	1,327,728	570,758
Extraordinary Item:			
Loss on Successor Agency loans	(328,583)	(608,077)	(936,660)
Change in net position	(1,085,553)	719,651	(365,902)
Total Net Position - Beginning of Year	(1,648,220)	50,483,034	48,834,814
Total Net Position - End of Year	\$ (2,733,773)	\$ 51,202,685	\$ 48,468,912

CITY OF BAKERSFIELD

**Combining Statement of Cash Flows
All Internal Service Funds
For the Fiscal Year Ended June 30, 2014**

	Self-Insurance Fund	Equipment Management	Totals
Cash flows from operating activities:			
Cash received from:			
Customers	\$ 10,199,343	\$ 22,339,669	\$ 32,539,012
Prior year reimbursements and cost recoveries	1,464,209	69,727	1,533,936
Cash paid to:			
Suppliers	(7,446,472)	(13,049,807)	(20,496,279)
Employees	(2,748,205)	(4,956,517)	(7,704,722)
Net cash provided (used) by operating activities	1,468,875	4,403,072	5,871,947
Cash flows from noncapital financing activities:			
Cash transferred from other funds	-	1,808,852	1,808,852
Cash transferred to other funds	(54,452)	-	(54,452)
Net cash provided by noncapital financing activities	(54,452)	1,808,852	1,754,400
Cash flows from capital and related financing activities:			
Purchase of capital assets	-	(4,866,465)	(4,866,465)
Proceeds from sale of capital assets	-	277,475	277,475
Net cash (used) by capital and related financing activities	-	(4,588,990)	(4,588,990)
Cash flows from investing activities:			
Interest received	179,075	129,640	308,715
Net (decrease) in the fair value of investments	196,226	138,389	334,615
Net cash provided (used) by investing activities	375,301	268,029	643,330
Net increase (decrease) in cash and investments	1,789,724	1,890,963	3,680,687
Cash and investments - Beginning of year	28,129,539	19,782,850	47,912,389
Cash and investments - End of year	\$ 29,919,263	\$ 21,673,813	\$ 51,593,076
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating income (loss)	\$ (1,087,173)	\$ (1,274,411)	\$ (2,361,584)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	-	5,186,608	5,186,608
(Increase) decrease in accounts/notes receivable	145,278	(44,526)	100,752
(Increase) decrease in inventories	-	(42,471)	(42,471)
Decrease in prepaid items	83,000	-	83,000
Increase (decrease) in accounts payable	212,774	647,525	860,299
Increase (decrease) in workers' compensation claims	2,107,781	-	2,107,781
Increase (decrease) in compensated absences	7,215	(69,653)	(62,438)
Net cash provided (used) by operating activities	\$ 1,468,875	\$ 4,403,072	\$ 5,871,947
Noncash investing, capital, and financing activities:			
Contribution of equipment from other departments	\$ -	\$ 395,343	\$ 395,343

CITY OF BAKERSFIELD

**Statement of Changes in Assets and Liabilities
Fiduciary Funds (Agency)
For the Fiscal Year Ended June 30, 2014**

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014
Special Deposits Fund				
Assets:				
Cash and investments	\$ 16,562,956	\$ 111,251,843	\$ 107,811,729	\$ 20,003,070
Interest receivable	20,558	23,964	20,559	23,963
Due from other governmental agencies	8,646	16,561	8,646	16,561
Total assets	<u>\$ 16,592,160</u>	<u>\$ 111,292,368</u>	<u>\$ 107,840,934</u>	<u>\$ 20,043,594</u>
Liabilities:				
Payables:				
Deposits	\$ 16,592,160	\$ 111,292,368	\$ 107,840,934	\$ 20,043,594
Total liabilities	<u>\$ 16,592,160</u>	<u>\$ 111,292,368</u>	<u>\$ 107,840,934</u>	<u>\$ 20,043,594</u>
Improvement Districts Fund				
Assets:				
Cash and investments	\$ 10,077,869	\$ 818,840	\$ 1,264,648	\$ 9,632,061
Interest receivable	6,812	790	559	7,043
Due from other governmental agencies	16,204	1,869	10,989	7,084
Total assets	<u>\$ 10,100,885</u>	<u>\$ 821,499</u>	<u>\$ 1,276,196</u>	<u>\$ 9,646,188</u>
Liabilities:				
Payables:				
Accounts	\$ 31,062	\$ 3,200	\$ 31,062	\$ 3,200
Deposits	3,191,750	1,387,976	1,019,556	3,560,170
Accrued bond interest	1,375,423	1,252,818	1,375,423	1,252,818
Bonds	5,502,650	4,835,000	5,507,650	4,830,000
Total liabilities	<u>\$ 10,100,885</u>	<u>\$ 7,478,994</u>	<u>\$ 7,933,691</u>	<u>\$ 9,646,188</u>
Total - All Agency Funds				
Assets:				
Cash and investments	\$ 26,640,825	\$ 112,070,683	\$ 109,076,377	\$ 29,635,131
Interest receivable	27,370	24,754	21,118	31,006
Due from other governmental agencies	24,850	18,430	19,635	23,645
Total assets	<u>\$ 26,693,045</u>	<u>\$ 112,113,867</u>	<u>\$ 109,117,130</u>	<u>\$ 29,689,782</u>
Liabilities:				
Payables:				
Accounts	\$ 31,062	\$ 3,200	\$ 31,062	\$ 3,200
Deposits	19,783,910	112,680,344	108,860,490	23,603,764
Accrued bond interest	1,375,423	1,252,818	1,375,423	1,252,818
Bonds	5,502,650	4,835,000	5,507,650	4,830,000
Total liabilities	<u>\$ 26,693,045</u>	<u>\$ 118,771,362</u>	<u>\$ 115,774,625</u>	<u>\$ 29,689,782</u>

CITY OF BAKERSFIELD

**Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2014**

	Redevelopment Successor Agency - Trust	Planning Habitat Trust	Total Private Purpose Trust Funds
Assets:			
Current assets:			
Cash and investments	\$ 3,092,666	\$ 11,031,008	\$ 14,123,674
Interest receivable	4,252	25,279	29,531
Due from other governmental agencies	1,067,844	-	1,067,844
Total current assets	<u>4,164,762</u>	<u>11,056,287</u>	<u>15,221,049</u>
Noncurrent assets:			
Land held for resale	60,895	-	60,895
Total noncurrent assets	<u>60,895</u>	<u>-</u>	<u>60,895</u>
Total assets	<u>4,225,657</u>	<u>11,056,287</u>	<u>15,281,944</u>
Liabilities:			
Payables:			
Accounts	-	3,005	3,005
Advances from grantors and third parties	3,815,047	-	3,815,047
Bonds	2,985,000	-	2,985,000
Notes	27,020,633	-	27,020,633
Total liabilities	<u>33,820,680</u>	<u>3,005</u>	<u>33,823,685</u>
Net Position:			
Held in trust for:			
Individuals, organizations, and other governments	<u>(29,595,023)</u>	<u>11,053,282</u>	<u>(18,541,741)</u>
Total Net Position	<u>\$ (29,595,023)</u>	<u>\$ 11,053,282</u>	<u>\$ (18,541,741)</u>

CITY OF BAKERSFIELD**Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2014**

	OPEB Irrevocable Trust	Fire Relief and Pension Trust	Total Pension and Other Employee Benefit Trust Funds
Assets:			
Cash and investments	\$ 50,722,418	\$ 111,178	\$ 50,833,596
Retirement system investments - Federal agency coupons	-	990,950	990,950
Interest receivable	-	8,877	8,877
Total assets	<u>50,722,418</u>	<u>1,111,005</u>	<u>51,833,423</u>
Net Position:			
Held in trust for - Pension benefits and other purposes	<u>50,722,418</u>	<u>1,111,005</u>	<u>51,833,423</u>
Total Net Position	<u>\$ 50,722,418</u>	<u>\$ 1,111,005</u>	<u>\$ 51,833,423</u>

CITY OF BAKERSFIELD**Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2014**

	Redevelopment Successor Agency - Trust	Planning Habitat Trust	Total Private Purpose Trust Funds
Additions:			
Developer fees	\$ -	\$ 1,608,034	\$ 1,608,034
Successor agency property tax deposits	3,288,862	-	3,288,862
Intergovernmental	301,203	-	301,203
Charges for services	3,143,000	-	3,143,000
Contribution from Successor Housing Agency	-	-	-
Other income	11,123	-	11,123
Interest income	-	49,088	49,088
Total additions	<u>6,744,188</u>	<u>1,657,122</u>	<u>8,401,310</u>
Deductions:			
Purchase of uninhabited land	-	3,411,642	3,411,642
Obligation retirement	(1,082,131)	-	(1,082,131)
Total deductions	<u>(1,082,131)</u>	<u>3,411,642</u>	<u>2,329,511</u>
Change in net position	<u>7,826,319</u>	<u>(1,754,520)</u>	<u>6,071,799</u>
Net position - beginning of year	<u>(37,421,342)</u>	<u>12,807,802</u>	<u>(24,613,540)</u>
Net position - end of year	<u>\$ (29,595,023)</u>	<u>\$ 11,053,282</u>	<u>\$ (18,541,741)</u>

CITY OF BAKERSFIELD

**Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2014**

	OPEB Irrevocable Trust	Fire Relief and Pension Trust	Total Pension and Other Employee Benefit Trust Funds
Additions:			
Contributions to pooled investments	\$ 3,578,735	\$ -	\$ 3,578,735
Interest and investment income, net	<u>4,346,605</u>	<u>27,097</u>	<u>4,373,702</u>
Total additions	<u>7,925,340</u>	<u>27,097</u>	<u>7,952,437</u>
Deductions:			
Benefits	3,578,735	128,106	3,706,841
Administrative expenses	<u>157,138</u>	<u>-</u>	<u>157,138</u>
Total deductions	<u>3,735,873</u>	<u>128,106</u>	<u>3,863,979</u>
Change in net position	4,189,467	(101,009)	4,088,458
Beginning of year	<u>46,527,051</u>	<u>1,217,914</u>	<u>47,744,965</u>
End of year	<u>\$ 50,716,518</u>	<u>\$ 1,116,905</u>	<u>\$ 51,833,423</u>



CITY OF BAKERSFIELD

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014**

	Special Revenue Funds		
	National Stabilization	American Recovery & Reinvestment Act	State (TDA) Transportation
Assets:			
Cash and investments	\$ 4,000	\$ -	\$ -
Accounts receivable, net	9,821,248	-	-
Interest receivable	-	-	506
Due from other governmental agencies	-	-	389,777
Notes/loans receivable	-	-	-
Total assets	\$ 9,825,248	\$ -	\$ 390,283
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 19,446
Due to other governmental agencies	-	-	-
Due to other funds	-	-	228,969
Advances from grantors and third parties	-	-	141,868
Total liabilities	-	-	390,283
Deferred Inflows of Resources:			
Unearned revenue	9,821,248	-	-
Fund Balances:			
Restricted	4,000	-	-
Total liabilities and fund balances	\$ 9,825,248	\$ -	\$ 390,283

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds
	State Safety Fund	Redevelopment Successor Agency - Housing	General Obligation Debt	Special Assessment Districts	
\$	1,209,195	\$ 2,774,110	\$ -	\$ 4,920,909	\$ 8,908,214
	110,012	216	-	-	9,931,476
	3,961	5,606	-	-	10,073
	6,972	-	-	-	396,749
	-	6,159,671	-	-	6,159,671
\$	1,330,140	\$ 8,939,603	\$ -	\$ 4,920,909	\$ 25,406,183
\$	100,737	\$ 6,262	\$ -	\$ -	\$ 126,445
	55,136	-	-	-	55,136
	-	-	-	-	228,969
	-	6,159,671	-	-	6,301,539
	155,873	6,165,933	-	-	6,712,089
	-	-	-	-	9,821,248
	1,174,267	2,773,670	-	4,920,909	8,872,846
\$	1,330,140	\$ 8,939,603	\$ -	\$ 4,920,909	\$ 25,406,183

CITY OF BAKERSFIELD

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2014**

	Special Revenue Funds		
	National Stabilization	American Recovery & Reinvestment Act	State (TDA) Transportation
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	1,096,983	98,349	774,765
Charges for services	-	-	-
Fines, forfeitures and assessments	-	-	-
Interest income	-	-	2,954
Loan payments	4,000	-	-
Other income	-	-	-
Total revenues	1,100,983	98,349	777,719
Expenditures			
Current:			
Public safety - Police	-	98,349	-
Public safety - Fire	-	-	-
Public works	-	-	226,989
Recreation and parks	-	-	29,363
Community development	1,096,983	-	-
Non departmental	-	-	-
Capital outlay	-	-	521,367
Debt Service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	1,096,983	98,349	777,719
Excess (deficiency) of revenues over (under) expenditures	4,000	-	-
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	4,000	-	-
Fund balances - beginning - as restated	-	-	-
Fund balances - ending	\$ 4,000	\$ -	\$ -

Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds	
				State Safety
\$ -	\$ 175,000	\$ -	\$ -	\$ 175,000
204,284	-	-	-	204,284
648,909	-	-	-	2,619,006
1,190,591	14,235	-	-	1,204,826
1,252,064	-	-	-	1,252,064
20,704	56,963	-	411	81,032
-	-	-	-	4,000
-	27,935	-	-	27,935
3,316,552	274,133	-	411	5,568,147
955,457	-	-	-	1,053,806
1,113,203	-	-	-	1,113,203
-	-	-	-	226,989
-	-	-	-	29,363
-	259,667	-	-	1,356,650
-	-	-	642,875	642,875
-	-	-	870,509	1,391,876
-	-	443,124	-	443,124
-	-	195,434	-	195,434
2,068,660	259,667	638,558	1,513,384	6,453,320
1,247,892	14,466	(638,558)	(1,512,973)	(885,173)
-	-	638,558	-	638,558
(1,100,000)	-	-	-	(1,100,000)
(1,100,000)	-	638,558	-	(461,442)
147,892	14,466	-	(1,512,973)	(1,346,615)
1,026,375	2,759,204	-	6,433,882	10,219,461
\$ 1,174,267	\$ 2,773,670	\$ -	\$ 4,920,909	\$ 8,872,846

CITY OF BAKERSFIELD

Long-term debt recorded in Private Purpose Trust Fund

REDEVELOPMENT SUCCESSOR AGENCY

Tax Allocation Bonds:

\$2,090,000 Tax Allocation Bond to be used for construction of public improvements for new developments on 18th and 19th Street, and improvements to the Mill Creek Linear Park. The funds were dispersed in July 2009. The interest rate is 7.5%, with payments commencing August 2010 through August 2029. \$ 1,875,000

\$1,240,000 Tax Allocation Bond to be used for infrastructure improvements for the Mill Creek Linear Park Canal at South Millcreek. The funds were dispersed in July 2009. The interest rate is 7.25%, with payments commencing August 2010 through August 2029. 1,110,000

Total Bonds \$ 2,985,000

Loans/Contracts:

\$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%. \$ 643,000

\$1,600,000 HUD Section 108 Loan, 2005 (Agency Agreement #RA 06-020) for construction of Fire Station No. 5 - due in annual principal installments of \$58,000 to \$137,000 commencing August 1, 2009; interest ranging from 4.96% to 5.77%. 1,288,000

\$1,000,000 Bakersfield Redevelopment Loan with the California Housing Finance Agency for predevelopment costs related to the development of an 84 unit owner subdivision. Repayment of the loan is deferred until September 2016 with 3% simple interest. 607,766

\$3,750,000 HUD Section 108 Loan, 2007 (Agency Agreement # RA 06-022) Loan proceeds are dedicated to the Mill Creek South Mixed-Use project and will go toward the acquisition and clean-up of a six acre parcel. Due in annual principal installments of \$136,000 to \$321,000 commencing August 1, 2008; interest ranging from 2.62% to 5.42%. 3,178,000

\$10,000,000 Bakersfield Redevelopment Agency Loan with 1-bank to help finance the Mill Creek Linear Park and Canal Refurbishment Project. Only \$6,933,445 of the loan was dispersed through fiscal year 2009. Annual principal installments of \$217,383 to \$512,446 commencing on August 1, 2009 through August 2037; interest rate at 3.11%. 8,843,341

\$2,000,000 Loan with the City of Bakersfield Equipment Fund to provide construction assistance required for the 19th Street Senior Plaza Development. Funds were disbursed June 2009. The loan has a 5% interest rate and a seven year payment period. 1,134,595

\$950,000 Loan with the City of Bakersfield Equipment Fund to pre-purchase an easement to facilitate the development of the Chelsea Housing project and the Southeast Mill Creek commercial area. The loan has a 3% interest rate and a five year payment period. 734,008

\$1,500,000 Loan with the City of Bakersfield Self-Insurance Fund to provide construction assistance required for the Courtyard Family Apartments located west of S Street, between 13th and 14th at S. Mill Creek. Funds were disbursed in September 2009. The loan has a 5% interest rate and seven year payment period. 991,923

\$17,000,000 Reimbursement to the City for (a) refunding of 1993 Tax Allocation Bonds, (b) 1987 COP Convention Improvement Project, and (c) the construction, equipping and furnishing of a multipurpose area (the Arena Project) per agreement #97-2. Agreement is for two payments of \$850,000 each year, from March 1997 to June 2022. 9,600,000

Total Loans/Contracts Payable \$ 27,020,633

Total Successor Agency \$ 30,005,633

Annual requirements to amortize the principal and interest on long-term debt of Successor Agency at June 30, 2014 is as follows:

Year ending	Redevelopment Successor Agency (Private Purpose Trust Fund)					
	Principal			Interest		
	Bonds	Loans/Contracts	Total	Bonds	Loans/Contracts	Total
2015	\$ 105,000	\$ 2,676,663	\$ 2,781,663	\$ 217,212	\$ 1,551,252	\$ 1,768,464
2016	110,000	2,699,238	2,809,238	209,250	1,418,744	1,627,994
2017	120,000	2,420,175	2,540,175	200,732	1,256,564	1,457,296
2018	125,000	2,445,254	2,570,254	191,656	1,110,922	1,302,578
2019	135,000	2,111,021	2,246,021	182,024	957,865	1,139,889
2020-2024	860,000	7,182,133	8,042,133	735,907	2,618,436	3,354,343
2025-2029	1,230,000	3,393,121	4,623,121	350,757	1,025,224	1,375,981
2030-2034	300,000	2,134,130	2,434,130	11,112	523,586	534,698
2035-2039	-	1,958,898	1,958,898	-	139,091	139,091
Totals	<u>\$ 2,985,000</u>	<u>\$ 27,020,633</u>	<u>\$ 30,005,633</u>	<u>\$ 2,098,650</u>	<u>\$ 10,601,684</u>	<u>\$ 12,700,334</u>



Statistical Section

**City of Bakersfield
Statistical Section
For the year ended June 30, 2014**

The statistical section of the City of Bakersfield's (City) comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information says about the City's overall financial health. Where less than 10 years of data is presented, the information was not available.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance measures have changed over time	138 - 147
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sale tax revenues.	148 - 159
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	160 - 167
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	167 - 173
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	175 - 179

CITY OF BAKERSFIELD

**Net Position by Component (1)
Last Ten Fiscal Years**

	Fiscal Year			
	2005	2006 (2)	2007	2008 (3)
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 240,757,766	\$ 939,282,572	\$ 1,322,587,643	\$ 1,369,689,471
Restricted for:				
Current projects	247,828	620,618	298,110	1,975,111
Capital improvements	47,942,901	87,336,669	84,146,096	77,319,182
Debt service	48,515	48,209	44,145	45,952
Unrestricted	85,904,382	144,677,514	120,922,654	121,427,154
Total governmental activities net position:	374,901,392	1,171,965,582	1,527,998,648	1,570,456,870
% change from prior year	N/A	213%	30%	3%
Business-type Activities:				
Invested in capital assets, net of related debt	160,979,364	521,824,277	566,728,647	342,111,043
Restricted for:				
Capital improvements	-	-	-	152,968,360
Sanitation districts	8,233,452	8,318,774	8,357,453	5,113,759
Unrestricted	69,661,071	96,501,463	129,325,391	230,264,239
Total business-type activities net position	238,873,887	626,644,514	704,411,491	730,457,401
% change from prior year	N/A	162%	12%	4%
Primary Government:				
Invested in capital assets, net of related debt	401,737,130	1,461,106,849	1,867,261,783	1,711,800,514
Restricted for:				
Current projects	247,828	620,618	298,110	1,975,111
Capital improvements	47,942,901	87,336,669	84,136,096	230,287,542
Debt service	48,515	48,209	44,145	45,952
Sanitation districts	8,233,452	8,318,774	8,357,453	5,113,759
Unrestricted	155,565,453	241,178,977	272,302,552	351,691,393
Total primary government net position	\$ 613,775,279	\$ 1,798,610,096	\$ 2,232,400,139	\$ 2,300,914,271
Total primary government net position after restatement		1,700,459,431		2,301,082,391
% change from prior year	N/A	177%	31%	3%

	Fiscal Year					
	2009 (4)	2010	2011 (4)	2012	2013 (4)	2014 (4)
Invested in capital assets, net of related debt	\$ 1,412,593,899	\$ 1,403,412,018	\$ 1,307,753,604	\$ 1,259,429,698	\$ 1,233,782,805	\$ 1,279,657,792
Restricted for:						
Current projects	4,646,968	-	-	-	-	-
Capital improvements	56,379,296	39,139,625	19,778,178	23,252,930	16,246,571	21,015,837
Debt service	-	-	-	-	-	-
Unrestricted	127,843,285	135,621,596	155,889,382	165,661,544	172,822,236	213,670,245
Total governmental activities net position:	1,601,463,448	1,578,173,239	1,483,421,164	1,448,344,172	1,422,851,612	1,514,343,874
% change from prior year	2%	-1%	-6%	-2%	-2%	6%
Invested in capital assets, net of related debt	588,467,081	634,479,891	632,719,226	650,440,273	642,190,608	647,105,639
Restricted for:						
Capital improvements	83,715,993	29,803,093	19,570,180	20,237,839	-	-
Sanitation districts	5,167,516	4,926,779	4,008,890	2,645,932	20,216,599	20,209,227
Unrestricted	73,947,580	104,096,319	115,321,423	100,529,044	107,431,948	109,292,512
Total business-type activities net position	751,298,170	773,306,082	771,619,719	773,853,088	769,839,155	776,607,378
% change from prior year	3%	3%	-0.2%	0.3%	-0.5%	1%
Invested in capital assets, net of related debt	2,001,060,980	2,037,891,909	1,940,472,830	1,909,869,971	1,875,973,416	1,926,763,431
Restricted for:						
Current projects	4,646,968	-	-	-	-	-
Capital improvements	140,095,289	68,942,718	39,348,358	43,490,769	36,463,170	41,225,064
Debt service	-	-	-	-	-	-
Sanitation districts	5,167,516	4,926,779	4,008,890	2,645,932	-	-
Unrestricted	201,790,865	239,717,915	271,210,805	266,190,588	280,254,187	322,962,757
Total primary government net position	\$ 2,352,761,618	\$ 2,351,479,321	\$ 2,255,040,883	\$ 2,222,197,260	\$ 2,192,690,773	\$ 2,290,951,252
% change from prior year	2%	-0.1%	-4%	-1%	-1%	4%

Notes:

- (1) This schedule reports using the accrual basis of accounting.
- (2) In fiscal year 2005-2006, the City made a prior period adjustment to capitalize infrastructure in accordance with GASB 34. Restatement shown in bottom total.
- (3) There was a change in the distribution of net assets in the Business-type Activities and a prior period adjustment in the Airpark Fund for fiscal year 2007-2008. Restatement shown in bottom total.
- (4) There was a prior period adjustment in Governmental and/or Business-type Activities for the fiscal year. Numbers have been changed to reflect the restatement.

Source: City Finance Department

CITY OF BAKERSFIELD

**Change in Net Position (1)
Last Ten Fiscal Years**

	Fiscal Year			
	2005	2006 (2)	2007	2008
Expenses				
Governmental activities:				
General government	\$ 16,258,160	\$ 16,387,448	\$ 22,376,302	\$ 12,738,456
Public safety:				
Police	53,133,158	59,217,664	62,681,714	71,485,694
Fire	28,274,641	29,124,399	27,697,731	32,930,374
Public works	26,874,096	53,935,339	66,939,234	93,674,545
Recreation & parks	17,285,798	14,678,060	23,360,416	34,783,064
Development services	7,609,292	9,551,861	10,738,435	10,920,263
Economic/Community development	3,539,604	2,846,210	3,980,925	3,917,710
Community development (3)	-	-	-	-
Interest on long-term debt	770,171	678,238	595,412	430,313
Total governmental activities expenses	153,744,920	186,419,219	218,370,169	260,880,419
Business-type activities:				
Wastewater treatment	13,364,173	18,476,617	19,660,934	34,006,998
Refuse collection	28,423,051	32,147,482	34,546,899	39,679,394
Agricultural water	4,016,718	4,269,889	4,577,030	5,415,452
Domestic water	11,755,936	13,516,193	15,963,620	16,579,051
General aviation	282,180	286,651	268,707	563,304
Offstreet parking	184,434	174,258	174,531	168,780
Total business-type activities expenses	58,026,492	68,871,090	75,191,721	96,412,979
Total primary government expenses	211,771,412	255,290,309	293,561,890	357,293,398
Program Revenues				
Governmental activities:				
Charges for services:				
General government	6,213,032	3,923,612	4,262,137	4,770,899
Public safety:				
Police	2,077,127	1,121,545	1,055,577	1,165,047
Fire	4,313,192	3,535,136	4,961,943	5,605,740
Public works	34,714,601	61,378,381	32,389,571	22,599,790
Recreation & parks	8,925,298	10,577,088	11,521,373	11,974,626
Development services	8,547,411	8,658,762	6,052,621	5,131,522
Economic/Community development	5,000,509	-	314,609	408
Community development (3)	-	-	-	-
Operating grants and contributions	11,389,303	13,699,627	14,052,014	14,389,999
Capital grants and contributions	23,764,450	18,987,290	254,881,641	74,434,259
Total governmental activities program revenues	\$ 104,944,923	\$ 121,881,441	\$ 329,491,486	\$ 140,072,290
Business-type activities:				
Charges for services				
Wastewater treatment	\$ 17,154,209	\$ 16,742,598	\$ 19,146,468	\$ 23,793,814

Notes:

- (1) This schedule reports using the accrual basis of accounting.
- (2) In fiscal year 2005-2006, the City made a prior period adjustment to capitalize infrastructure in accordance with GASB 34.
- (3) Development services and Economic/Community development merged to become Community development.

	Fiscal Year					
	2009	2010	2011	2012	2013	2014
Governmental activities:						
General government	\$ 15,624,497	\$ 13,169,300	\$ 12,110,455	\$ 12,388,099	\$ 12,919,972	\$ 10,274,285
Public safety:						
Police	68,830,802	66,819,611	70,381,783	72,574,972	76,310,840	80,192,752
Fire	32,844,159	32,901,818	31,657,823	33,319,982	35,105,188	36,086,851
Public works	98,187,688	138,345,249	137,057,195	142,228,353	162,423,856	104,347,771
Recreation & parks	31,186,962	32,640,571	34,682,672	31,737,121	32,619,041	34,641,180
Development services	10,111,034	8,231,893	6,862,213	5,856,850	-	-
Economic/Community development	6,930,730	12,935,695	9,303,951	28,228,468	-	-
Community development (3)	-	-	-	-	11,192,757	9,940,984
Interest on long-term debt	252,743	201,442	233,606	215,411	467,848	166,472
Total governmental activities expenses	263,968,615	305,245,579	302,289,698	326,549,256	331,039,502	275,650,295
Business-type activities:						
Wastewater treatment	32,009,889	31,978,755	42,333,794	41,550,942	40,456,986	41,979,698
Refuse collection	37,590,048	35,237,306	38,469,544	39,340,795	44,364,406	45,336,786
Agricultural water	5,014,733	4,901,463	4,603,236	5,727,962	5,245,266	5,051,433
Domestic water	20,089,704	21,951,835	22,068,640	22,157,529	21,131,546	25,613,917
General aviation	296,653	372,089	407,687	404,648	430,697	462,690
Offstreet parking	192,011	177,485	165,935	128,070	162,094	160,613
Total business-type activities expenses	95,193,038	94,618,933	108,048,836	109,309,946	111,790,995	118,605,137
Total primary government expenses	359,161,653	399,864,512	410,338,534	435,859,202	442,830,497	394,255,432
Program Revenues						
Governmental activities:						
Charges for services:						
General government	4,534,243	4,451,944	5,406,095	5,392,724	4,984,767	5,019,511
Public safety:						
Police	4,411,906	3,347,806	3,210,604	2,649,133	2,110,160	2,938,734
Fire	3,230,597	4,601,976	4,577,004	4,866,355	5,361,766	4,937,490
Public works	16,598,877	10,561,651	8,462,168	11,651,452	19,404,900	23,780,578
Recreation & parks	13,423,547	13,530,535	13,172,982	14,153,899	14,324,137	14,348,050
Development services	5,245,507	3,492,359	2,621,537	2,907,300	4,147,598	5,221,585
Economic/Community development	(76,449)	85,180	1,101	870	-	-
Community development (3)	-	-	-	-	-	-
Operating grants and contributions	18,940,149	26,063,320	22,993,743	20,178,085	19,508,063	11,633,792
Capital grants and contributions	75,921,404	76,021,617	82,831,043	68,415,443	76,471,205	104,071,622
Total governmental activities program revenues	\$ 142,229,781	\$ 142,156,388	\$ 143,276,277	\$ 130,215,261	\$ 146,312,596	\$ 171,951,362
Business-type activities:						
Charges for services						
Wastewater treatment	\$ 26,836,539	\$ 29,617,486	\$ 30,752,515	\$ 30,743,840	\$ 30,825,384	\$ 31,148,327

CITY OF BAKERSFIELD

**Change in Net Position (1) continued
Last Ten Fiscal Years**

	Fiscal Year			
	2005	2006 (2)	2007	2008
Refuse collection	30,291,605	33,174,727	36,415,700	39,378,891
Agricultural water	6,717,939	5,426,547	6,523,342	4,972,037
Domestic water	13,188,040	15,209,139	18,414,655	20,103,488
General aviation	125,747	135,383	142,520	211,573
Offstreet parking	93,713	104,636	98,640	102,425
Operating grants and contributions	14,343,274	17,016,789	15,268,751	8,391,106
Capital grants and contributions	1,410,465	449,969	54,024,256	23,514,481
Total business-type activities				
program revenues	83,324,992	88,259,788	150,034,332	120,467,815
Total primary government				
program revenues	188,269,915	210,141,229	479,525,818	260,540,105
Net (Expenses) Revenues				
Governmental activities	(48,799,997)	(64,537,778)	111,121,317	(120,808,129)
Business-type activities	25,298,500	19,388,698	74,842,611	24,054,836
Total primary government				
Net (Expenses)	(23,501,497)	(45,149,080)	185,963,928	(96,753,293)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	39,464,262	49,135,641	62,324,076	71,655,585
Sales and use tax	58,465,636	66,495,453	68,367,251	63,415,357
Other taxes	4,268,501	5,074,460	4,047,002	3,193,162
Intergovernmental, unrestricted (4)	5,981,308	2,176,967	1,845,520	910,205
Unrestricted grants and contributions	20,776,276	15,184,443	16,717,510	16,303,921
Investment earnings	1,416,716	1,332,755	4,470,903	4,019,639
Miscellaneous	232,035	85,279	13,128	131,121
Gain on sale of property	83,939	673,947	1,140,896	43,215
Transfers*	2,168,098	1,370,202	3,095,700	3,604,146
Reserve transfer to	-	-	-	-
Redevelopment Agency	(3,571,055)	-	-	-
Total Governmental Activities	129,285,716	141,529,147	162,021,986	163,276,351
Business-type activities:				
Investment earnings	2,496,861	3,140,800	6,020,066	4,894,373
Gain on sale of property	-	-	-	-
Transfers	(2,168,098)	(1,370,202)	(3,095,700)	(2,004,146)
Total business-type activities	328,763	1,770,598	2,924,366	2,890,227
Total primary government	129,614,479	143,299,745	164,946,352	166,166,578
Extraordinary Gain	-	-	-	-
Change in Net Position				
Governmental activities	80,485,719	76,991,369	273,143,303	42,468,222
Business-type activities	25,627,263	21,159,296	77,766,977	26,945,063
Total primary government	\$ 106,112,982	\$ 98,150,665	\$ 350,910,280	\$ 69,413,285

	Fiscal Year					
	2009	2010	2011	2012	2013	2014
Refuse collection	39,814,200	39,533,488	39,568,011	41,198,715	41,812,177	42,100,981
Agricultural water	6,619,487	5,206,010	6,891,203	4,162,253	3,645,065	4,233,197
Domestic water	21,160,388	21,773,880	22,223,640	23,140,865	23,944,333	24,423,144
General aviation	243,923	258,353	253,868	285,461	304,357	303,223
Offstreet parking	77,122	63,383	63,120	72,094	54,420	67,150
Operating grants and contributions	5,228,837	7,121,598	4,018,963	4,935,165	6,243,441	8,601,559
Capital grants and contributions	12,174,540	10,189,981	1,599,202	5,011,908	982,577	17,276,815
Total business-type activities						
program revenues	112,155,036	113,764,179	105,370,522	109,550,301	107,811,754	128,154,396
Total primary government						
program revenues	254,384,817	255,920,567	248,646,799	239,765,562	254,124,350	300,105,758
Net (Expenses) Revenues						
Governmental activities	(121,738,834)	(163,089,191)	(159,013,421)	(196,333,995)	(184,726,906)	(103,698,933)
Business-type activities	16,961,998	19,145,246	(2,678,314)	240,355	(3,979,241)	9,549,259
Total primary government						
Net (Expenses)	(104,776,836)	(143,943,945)	(161,691,735)	(196,093,640)	(188,706,147)	(94,149,674)
General Revenues and Other Changes in Net Position						
Governmental activities:						
Taxes:						
Property taxes	70,869,285	63,923,865	62,889,341	60,717,716	58,958,525	66,614,853
Sales and use tax	56,615,428	50,664,334	55,281,897	67,642,794	70,418,028	72,442,177
Other taxes	3,136,193	1,910,719	728,715	889,373	926,701	988,423
Intergovernmental, unrestricted (4)	962,870	1,026,116	1,144,659	876,617	181,713	152,400
Unrestricted grants and contributions	16,767,713	19,229,234	20,701,642	21,793,292	22,725,966	23,829,193
Investment earnings	2,879,700	1,103,532	73,834	282,170	(99,546)	948,629
Miscellaneous	1,408,497	1,776,536	1,567,489	4,223,807	5,187,294	1,683,631
Gain on sale of property	58,726	14,646	17,300	132,666	192,354	36,039
Transfers*	47,000	150,000	1,998,260	34,000	840,000	1,489,500
Reserve transfer to	-	-	-	-	-	-
Redevelopment Agency	-	-	-	-	-	-
Total Governmental Activities	152,745,412	139,798,982	144,403,137	156,592,435	159,331,035	168,184,845
Business-type activities:						
Investment earnings	3,757,651	3,012,666	2,136,427	1,988,022	778,444	2,424,676
Gain on sale of property	-	-	-	38,992	26,866	(4,439,038)
Transfers	(47,000)	(150,000)	(1,998,260)	(34,000)	(840,000)	(1,489,500)
Total business-type activities	3,710,651	2,862,666	138,167	1,993,014	(34,690)	(3,503,862)
Total primary government	156,456,063	142,661,648	144,541,304	158,585,449	159,296,345	164,680,983
Extraordinary Gain	-	-	-	4,664,568	-	(936,660)
Change in Net Position						
Governmental activities	31,006,578	(23,290,209)	(14,610,284)	(35,076,992)	(25,395,871)	64,485,912
Business-type activities	20,672,649	22,007,912	(2,540,147)	2,233,369	(4,013,931)	6,045,397
Total primary government	\$ 51,679,227	\$ (1,282,297)	\$ (17,150,431)	\$ (32,843,623)	\$ (29,409,802)	\$ 70,531,309

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

Source: City Finance Department

* 2008 figure includes contributed capital of \$1.6 million between primary government and component unit.

CITY OF BAKERSFIELD
Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved				
Petty cash	\$ 21,825	\$ 22,095	\$ 22,545	\$ 22,545
Prepaid items	537,812	-	-	-
Encumbrances	1,665,099	1,850,208	2,933,414	1,963,262
Cash basis	7,673,578	9,265,797	11,159,944	11,686,035
Unreserved				
Designated for current projects / contingency	247,828	620,618	298,110	1,628,900
Designated for compensated absences	4,854,216	5,554,097	5,928,547	6,120,523
Undesignated	19,032,319	32,648,415	29,607,059	24,755,512
Total general fund	<u>\$ 34,032,677</u>	<u>\$ 49,961,230</u>	<u>\$ 49,949,619</u>	<u>\$ 46,176,777</u>
All other governmental funds				
Reserved	\$ 16,918,396	\$ 32,340,825	\$ 41,592,473	\$ 82,349,797
Unreserved, reported in:				
Special revenue funds	3,418,829	(3,729,699)	(10,814,841)	(46,141,619)
Capital projects funds	7,647,901	12,481,455	18,602,700	15,921,174
Permanent funds	48,101,521	87,503,135	84,314,434	77,778,221
Total all other government funds	<u>\$ 76,086,647</u>	<u>\$ 128,595,716</u>	<u>\$ 133,694,766</u>	<u>\$ 129,907,573</u>

General Fund (2)

Nonspendable	
Restricted	
Committed	
Assigned	
Unassigned	
Subtotal general fund	
All Other Governmental Funds	
Nonspendable	
Restricted	
Committed	
Assigned	
Unassigned	
Subtotal all other governmental funds	
Total governmental fund balance	

	Fiscal Year
	2009
General Fund	\$ 22,620
Reserved	-
Unreserved	12,001,989
Designated for current projects / contingency	4,646,968
Designated for compensated absences	6,714,368
Undesignated	26,765,142
Total general fund	<u>\$ 51,074,468</u>
All other governmental funds	\$ 81,360,385
Unreserved, reported in:	(52,326,452)
Special revenue funds	30,294,286
Permanent funds	56,430,221
Total all other government funds	<u>\$ 115,758,440</u>

	2010	2011	Fiscal Year 2012	2013	2014
General Fund (2)	\$ -	\$ 13,000	\$ 11,975	\$ 3,372,390	\$ 3,181
Restricted	-	-	-	-	-
Committed	28,408,926	36,613,273	37,639,359	39,972,694	13,464,704
Assigned	6,902,114	6,891,881	7,281,790	7,694,831	34,586,157
Unassigned	10,637,121	9,131,275	10,476,517	10,865,979	6,502,852
Subtotal general fund	<u>45,948,161</u>	<u>52,649,429</u>	<u>55,409,641</u>	<u>61,905,894</u>	<u>54,556,894</u>
All Other Governmental Funds					
Restricted	8,253,366	10,051,183	23,252,930	16,246,571	21,015,837
Committed	61,058,527	58,304,744	57,014,597	56,799,759	62,344,103
Assigned	26,469,632	18,649,279	11,091,749	15,840,236	58,935,265
Unassigned	-	-	-	-	-
Subtotal all other governmental funds	<u>95,781,525</u>	<u>87,005,206</u>	<u>91,359,276</u>	<u>88,886,566</u>	<u>142,295,205</u>
Total governmental fund balance	<u>\$ 141,729,686</u>	<u>\$ 139,654,635</u>	<u>\$ 146,768,917</u>	<u>\$ 150,792,460</u>	<u>\$ 196,852,099</u>

Notes:
(1) Includes all governmental funds as shown in the Fund Financial Statements.
(2) In FY 2010-11, the City implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. FY 2009-10 fund balances have been recharacterized to comply with GASB 54 in order to facilitate year-to-year comparisons.

CITY OF BAKERSFIELD

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Revenues					
Taxes	\$ 115,631,300	\$ 135,540,591	\$ 151,067,427	\$ 154,249,416	\$ 147,153,335
Licenses and permits	3,853,451	4,279,532	3,029,719	2,613,944	2,576,755
Intergovernmental	34,255,270	24,965,724	36,774,497	55,926,098	82,994,989
Charges for services	26,675,781	30,604,785	28,299,553	27,056,425	26,850,501
Fines, forfeitures & assessments	31,499,007	60,485,776	30,450,784	25,511,482	18,207,527
Interest income	2,828,081	3,936,649	9,327,675	6,157,327	3,455,207
Contributions and donations	-	-	-	-	-
Miscellaneous	4,825,205	5,155,640	4,668,437	5,166,473	4,097,040
Total Revenues	219,568,095	264,968,697	263,618,092	276,681,165	285,335,354
Expenditures					
General government	8,473,071	10,758,950	10,807,970	10,809,819	11,509,310
Police	53,536,030	59,716,106	64,936,013	68,853,581	65,824,506
Fire	28,115,025	28,878,953	30,349,754	31,737,283	31,338,492
Public works	19,199,433	21,500,679	25,634,650	27,771,403	27,594,508
Recreation and parks	16,046,083	19,204,779	22,047,595	23,959,813	23,702,177
Development services	7,607,299	9,143,519	10,787,216	10,558,195	9,619,973
Economic/Community development	3,541,200	3,022,308	3,939,418	3,417,684	5,567,930
Community development (1)	-	-	-	-	-
Non departmental	7,726,250	5,486,829	11,584,563	13,866,439	11,111,355
Capital outlay	41,691,554	35,744,826	75,443,460	89,813,206	104,472,583
Debt service					
Principal	2,026,000	1,258,000	1,957,000	1,256,000	3,509,000
Interest and fiscal charges	811,755	702,386	598,067	491,605	324,862
Total Expenditures	188,773,700	195,417,335	258,085,706	282,535,028	294,574,696
Excess (deficiency) of revenues over (under) expenditures	30,794,395	69,551,362	5,532,386	(5,853,863)	(9,239,342)
Other financing sources (uses)					
Notes/certificate proceeds	-	-	-	-	-
Transfers in	15,171,629	21,908,333	1,600,000	26,562,537	12,740,413
Transfers out	(27,063,316)	(23,022,073)	(2,044,947)	(28,268,709)	(12,752,513)
Reserve transfer to agency funds	-	-	-	-	-
Extraordinary gain	-	-	-	-	-
Total other financing sources (uses)	(11,891,687)	(1,113,740)	(444,947)	(1,706,172)	(12,100)
Net change in fund balances	\$ 18,902,708	\$ 68,437,622	\$ 5,087,439	\$ (7,560,035)	\$ (9,251,442)
Debt service as a percentage of non capital expenditures	2.0%	1.2%	-10.5%	0.8%	1.8%

Notes:
(1) Development services and Economic/Community development merged to become Community development.
Source: City Finance Department

	Fiscal Year				
	2010	2011	2012	2013	2014
Revenues					
Taxes	\$ 128,716,315	\$ 139,250,878	\$ 150,761,990	\$ 159,530,114	\$ 163,369,374
Licenses and permits	2,192,594	1,757,045	2,321,093	2,757,307	3,644,027
Intergovernmental	90,926,017	87,577,120	83,597,649	85,698,254	112,509,497
Charges for services	24,488,013	23,982,350	34,518,514	26,237,278	28,308,972
Fines, forfeitures & assessments	13,601,153	14,359,150	4,034,565	20,697,866	25,732,782
Interest income	2,193,269	804,910	865,071	(266,411)	1,604,668
Contributions and donations	-	-	-	1,543,041	251,775
Miscellaneous	5,830,575	4,662,521	7,346,225	8,383,499	4,710,359
Total Revenues	267,947,936	272,393,974	283,445,107	304,580,948	340,131,454
Expenditures					
General government	11,070,305	9,944,217	10,383,512	11,186,274	11,888,465
Police	63,789,358	65,985,764	68,489,176	72,745,830	77,504,268
Fire	30,921,380	29,450,014	31,390,736	33,528,360	34,895,073
Public works	24,023,808	21,967,831	25,849,496	25,274,629	25,744,355
Recreation and parks	22,281,910	22,620,636	23,599,669	25,277,659	26,309,603
Development services	7,811,683	6,486,573	6,229,936	-	-
Economic/Community development	11,322,095	8,147,683	3,646,144	-	-
Community development (1)	-	-	-	11,994,604	11,321,294
Non departmental	17,103,372	12,517,816	20,283,121	13,338,729	10,726,379
Capital outlay	107,556,933	97,915,227	94,567,093	105,808,610	94,992,545
Debt service					
Principal	203,000	444,000	366,000	378,000	443,124
Interest and fiscal charges	204,673	221,920	219,865	208,424	195,434
Total Expenditures	296,288,517	275,701,681	285,024,748	299,741,119	294,020,540
Excess (deficiency) of revenues over (under) expenditures	(28,340,581)	(3,307,707)	(1,579,641)	4,839,829	46,110,914
Other financing sources (uses)					
Notes/certificate proceeds	1,800,000	-	-	-	-
Transfers in	8,813,765	9,580,944	11,587,495	18,164,310	16,069,190
Transfers out	(813,765)	(8,358,944)	(12,704,555)	(18,898,910)	(16,334,090)
Reserve transfer to agency funds	-	10,656	-	-	-
Extraordinary gain	-	-	4,664,568	-	-
Total other financing sources (uses)	9,800,000	1,232,656	3,547,508	(734,600)	(264,900)
Net change in fund balances	\$ (18,540,581)	\$ (2,075,051)	\$ 1,967,867	\$ 4,105,229	\$ 45,846,014
Debt service as a percentage of non capital expenditures	0.2%	0.3%	0.2%	0.2%	0.2%

CITY OF BAKERSFIELD

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

Fiscal Year	General Property Taxes	Sales and Use Taxes	Transient Occupancy Taxes	Business License Taxes	Utility Franchise Taxes	In-Lieu and Other Taxes	Total Taxes
2005	\$ 39,464,262 (2)	\$58,465,636	\$ 6,594,845	\$ 2,646,990	\$ 4,191,066	\$ 4,268,501	\$ 115,631,300
2006	49,135,641 (2)	66,495,453	7,456,838	2,995,555	4,382,644	5,074,460	135,540,591
2007	62,324,076 (2)	68,367,251	7,954,228	3,404,712	4,970,158	4,047,002	151,067,427
2008	71,655,585 (2)	63,415,357	7,749,531	3,331,064	4,904,717	3,193,162	154,249,416
2009	70,869,285 (2)	56,615,428	7,144,718	3,899,841	5,487,871	3,136,192	147,153,335
2010	57,185,433 (2)	50,664,333	6,493,702	3,173,514	9,288,614 (3)	1,910,719	128,716,315
2011	62,889,341 (2)	55,281,897	6,851,869	3,415,351	10,083,705 (3)	728,715	139,250,878
2012	60,717,717 (2)	67,642,795	7,827,792	3,312,485	10,371,830 (3)	889,373	150,761,992
2013	65,696,957 (2)	70,418,028	8,274,240	3,372,972	10,733,798 (3)	1,034,119	159,530,114
2014	66,614,853 (2)	72,442,178	8,826,003	3,607,558	10,890,359 (3)	988,423	163,369,374

Notes:
 (1) Includes all governmental funds as shown in the Fund Financial Statements.
 (2) Includes VLF Triple Flip tax revenue.
 (3) Includes additional taxes and Utility Surcharge revenues designated by ordinance for road purposes.

CITY OF BAKERSFIELD

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

Taxpayer	2005			2014		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Nestle Holdings Inc (formerly Ice Cream Partners USA in 2005)	\$ 61,617,198	6	0.43%	\$ 196,422,345	2	0.86%
Valley Plaza Mall LP (formerly Bakersfield Mall LLC in 2005)	115,530,696	1	0.81%	125,013,540	3	0.55%
Chevron USA Inc.	66,525,039	5	0.47%	201,845,664	1	0.89%
California Water Service Company	82,944,673	3	0.58%	83,735,182	5	0.37%
Donahue Schriber Realty Group LLP	-	-	-%	63,594,316	9	0.28%
WalMart Real Estate BSNS Trust	-	-	-%	90,072,683	4	0.40%
Castle & Cook Comm. Inc.	78,516,448	4	0.55%	-	-	-%
Castle & Cook CA Inc.	92,564,222	2	0.65%	76,768,870	6	0.34%
State Farm Insurance Company	44,818,009	8	0.31%	-	-	-%
Kaiser Foundation Health Plan Inc.	41,718,816	9	0.29%	-	-	-%
Bear Mountain Limited	52,155,000	7	0.37%	-	-	-%
Lsref2 Tractor Reo LLC	-	-	-%	70,087,573	-	0.31%
GSF Edgewater Investors LP	-	-	-%	67,967,343	8	0.30%
Bright House Networks LLC	-	-	-%	51,434,680	10	0.23%
Albertson's Inc	37,157,672	10	0.26%	-	-	-%
Total taxable assessed value of ten (10) largest taxpayers	\$ 673,547,773		4.72%	\$ 1,026,942,196		4.53 %
Total taxable assessed value of other taxpayers	13,589,808,955		95.28%	21,757,719,634		95.47 %
Total taxable assessed value of all taxpayers	\$ 14,263,356,728		100.00%	\$ 22,784,661,830		100.00 %

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.

CITY OF BAKERSFIELD

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

Fiscal Year Ended June 30	Residential Property	Secured Commercial Property	Other	Unsecured	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Rate	Estimated Actual Taxable Value (1)
2005	\$ 9,966,804	\$ 2,463,503	\$ 1,947,854	\$ 565,311	\$ 680,115	\$ 14,263,357	0.2034	Unavailable
2006	12,110,090	2,727,174	2,200,212	582,995	731,597	16,888,874	0.2281	Unavailable
2007	15,371,291	3,104,110	2,655,402	631,452	816,684	20,945,571	0.2160	Unavailable
2008	18,353,070	3,401,625	3,122,004	659,048	881,683	24,654,064	0.1931	Unavailable
2009	17,705,933	3,785,022	3,495,239	751,790	957,674	24,780,310	0.1961	Unavailable
2010	15,577,372	4,030,198	3,311,171	878,216	1,080,957	22,716,000	0.1981	Unavailable
2011	14,950,744	4,053,184	3,134,829	834,158	1,063,302	21,909,613	0.1969	Unavailable
2012	14,521,636	3,832,880	3,245,619	850,899	1,104,081	21,346,953	0.1956	Unavailable
2013	14,698,137	3,904,832	3,268,227	912,300	1,097,928	21,685,568	0.1924	Unavailable
2014	15,592,995	4,010,392	3,575,805	791,531	1,186,061	22,784,662	0.1619	Unavailable

(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.

CITY OF BAKERSFIELD

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

	2005	2006	2007	2008
Basic County-Wide Levy (1)	1.0000	1.0000	1.0000	1.0000
Overlapping Debt				
Bakersfield School	0.0477	0.0416	0.0388	0.0577
Beardsley School	0.0429	0.0406	0.0627	0.0490
Edison School Bond	0.0000	0.0000	0.0000	0.0000
Fairfax 10A	0.0000	0.0000	0.0000	0.0000
Fairfax School	0.0466	0.0403	0.0299	0.0249
Fruitvale Dbt Ec	0.0000	0.0000	0.0000	0.0000
Fruitvale School Bonds	0.0581	0.0490	0.0799	0.0557
Greenfield School	0.0775	0.0650	0.0480	0.0540
Kern Community College District	0.0092	0.0096	0.0053	0.0080
Kern County Water Agency	0.0696	0.0504	0.0376	0.0533
Kern High School District	0.0300	0.0321	0.0405	0.0382
Lakeside School 2008-A	0.0000	0.0000	0.0000	0.0000
Lamont School	0.0607	0.0567	0.0462	0.0463
Norris School	0.0271	0.0208	0.0151	0.0147
Panama Bv 2012-A	-	-	-	-
Panama School	0.0292	0.0250	0.0211	0.0191
Rio Bravo School	0.0674	0.0378	0.0367	0.0378
Rosedale	0.0146	0.0129	0.0097	0.0013
Standard Bond 06A	0.0000	0.0000	0.0239	0.0210
Vineland School 07-A	0.0000	0.0000	0.0000	0.0000
Total Direct & Overlapping Tax Rates (2)	<u>1.5806</u>	<u>1.4818</u>	<u>1.4954</u>	<u>1.4810</u>
City Share of 1% Levy (3)	0.1844	0.1844	0.1846	0.1847
Total Direct Rate (4)	<u>0.2034</u>	<u>0.2281</u>	<u>0.2160</u>	<u>0.1931</u>

	2009	2010	2011	2012	2013	2014
Basic County-Wide Levy (1)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Overlapping Debt						
Bakersfield School	0.0568	0.0676	0.0663	0.0710	0.0681	0.0360
Beardsley School	0.0485	0.0548	0.0574	0.0599	0.0499	0.0486
Edison School Bond	0.0000	0.0000	0.0720	0.0664	0.0694	0.0687
Fairfax 10A	0.0000	0.0000	0.0000	0.0280	-	0.0000
Fairfax School	0.0296	0.0330	0.0401	0.0408	0.0685	0.0607
Fruitvale Dbt Ec	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Fruitvale School Bonds	0.0537	0.0610	0.0695	0.0759	0.0614	0.0678
Greenfield School	0.0615	0.0835	0.0783	0.0804	0.0826	0.0843
Kern Community College District	0.0091	0.0094	0.0101	0.0091	0.0085	0.0126
Kern County Water Agency	0.0491	0.0601	0.0553	0.0748	0.0540	0.0569
Kern High School District	0.0358	0.0431	0.0447	0.0363	0.0437	0.0392
Lakeside School 2008-A	0.0000	0.0216	0.0188	0.0224	0.0227	0.0283
Lamont School	0.0466	0.0652	0.0694	0.0693	0.0615	0.0681
Norris School	0.0250	0.0330	0.0298	0.0327	0.0580	0.0500
Panama Bv 2012-A	-	-	-	-	-	0.0194
Panama School	0.0088	0.0099	0.0116	0.0115	-	0.0000
Rio Bravo School	0.0681	0.0690	0.0741	0.0737	0.0535	0.0769
Rosedale	0.0025	0.0046		0.0000	0.0000	0.0000
Standard Bond 06A	0.0240	0.0258	0.0206	0.0191	0.0185	0.0152
Vineland School 07-A	0.0397	0.0424	0.0414	0.0423	0.0437	0.0418
Total Direct & Overlapping Tax Rates (2)	<u>1.5588</u>	<u>1.6840</u>	<u>1.7594</u>	<u>1.8136</u>	<u>1.7640</u>	<u>1.7745</u>
City Share of 1% Levy (3)	0.1847	0.1846	0.1852	0.1851	0.1851	0.1839
Total Direct Rate (4)	<u>0.1961</u>	<u>0.1981</u>	<u>0.1969</u>	<u>0.1956</u>	<u>0.1924</u>	<u>0.1619</u>

(1) In 1978 the voters of the State of California passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

(3) City's share of 1.00% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. Educational Revenue Augmentation Fund (ERAF) general fund tax shifts are not included in tax ratio figures. The effective City rate after ERAF is 9.9%.

(4) Total Direct Rate is the weighted average of all individual direct rates applied by the City of Bakersfield.

Source: HdL Coren & Cone (Kern County Auditor-Controller's Office)

CITY OF BAKERSFIELD
Property Tax Levies and Collections
Last Ten 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 (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy (3)
2005	\$27,352,808	\$ 26,799,037	98.0%	\$ 462,268	\$ 27,261,305	99.7%
2006	32,367,859	31,572,839	97.5%	534,541	32,107,380	99.2%
2007	42,437,947	38,167,345	89.9%	579,684	38,747,029	91.3%
2008	44,435,132	42,501,455	95.6%	1,375,328	43,876,783	98.7%
2009	42,390,737	41,627,252	98.2%	1,626,519	43,253,771	102.0%
2010	37,878,353	36,683,727	96.8%	2,308,846	38,992,573	102.9%
2011	38,752,737	38,136,143	98.4%	437,340	38,573,483	99.5%
2012	37,333,785	36,574,775	98.0%	417,383	36,992,158	99.1%
2013	38,448,465	37,544,318	97.6%	159,495	37,703,813	98.1%
2014	39,887,750	39,344,783	98.6%	375,679	39,720,462	99.6%

Notes:
(1) Excludes Redevelopment property tax increment.
(2) Delinquent tax collections do not include interest or penalties.
(3) Total collections to date may exceed 100% of annual levy. Delinquent tax collections are recorded in the current levy year as the County of Kern does not give detail as to the levy year for delinquent tax collections. This was confirmed with the County of Kern in 2014.

Source: City Finance Department

CITY OF BAKERSFIELD
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Year	State of California	Total Rate
2005	7.25 %	7.25 %
2006	7.25 %	7.25 %
2007	7.25 %	7.25 %
2008	7.25 %	7.25 %
2009	8.25 %	8.25 %
2010	8.25 %	8.25 %
2011	8.25 %	8.25 %
2012	7.25 %	7.25 %
2013	7.50 %	7.50 %
2014	7.50 %	7.50 %

Note: The City's sales tax rate may be changed with voter approval.
Source: California State Board of Equalization

CITY OF BAKERSFIELD**Taxable Sales By Market Groups
Last Ten Fiscal Years**

	2004	2005	2006	2007	2008
Retail Trade Groups	\$ 38,114,349	\$ 43,933,277	\$ 44,882,615	\$ 43,965,080	\$ 40,426,683
Non-Store Retailers	1,206,858	1,379,182	1,505,922	1,312,047	991,106
Service Groups	2,527,542	2,939,384	3,071,729	2,979,402	3,149,366
Construction Contractor Groups	1,318,508	1,800,092	2,364,713	1,839,151	1,615,488
Producers, Manufacturers and Wholesalers Group	<u>3,590,789</u>	<u>5,109,920</u>	<u>5,744,221</u>	<u>5,715,484</u>	<u>7,713,486</u>
Total	<u>\$ 46,758,046</u>	<u>\$ 55,161,855</u>	<u>\$ 57,569,200</u>	<u>\$ 55,811,164</u>	<u>\$ 53,896,129</u>

	2009	2010	2011	2012	2013
	\$ 34,939,803	\$ 36,129,898	\$ 40,605,395	\$ 44,051,820	\$ 45,612,755
	728,190	714,709	922,257	961,178	1,067,613
	2,809,311	3,279,903	4,056,208	4,396,783	4,479,230
	628,808	612,563	807,930	813,201	1,060,112
	<u>5,682,497</u>	<u>6,119,199</u>	<u>8,620,630</u>	<u>9,155,110</u>	<u>8,817,193</u>
	<u>\$ 44,788,609</u>	<u>\$ 46,856,272</u>	<u>\$ 55,012,420</u>	<u>\$ 59,378,092</u>	<u>\$ 61,036,903</u>

Note: 2013 data is the most recent information available.
Source: California State Board of Equalization

CITY OF BAKERSFIELD

**Sales Tax Revenue Payers By Industry
2013 and Nine Years Ago**

	2004			
	Number of Filers	Percent of Total	Tax Liability Paid	Percent of Total \$
Department Stores	20	0.31 %	\$ 3,497,847	7.48 %
New Car Dealers	21	0.33 %	8,836,047	18.90 %
Service Stations	50	0.77 %	2,571,174	5.50 %
Heavy Industrial Equipment & Misc. Machinery	64	0.99 %	736,812	1.58 %
Eating/Drinking Places without Alcohol	371	5.75 %	2,091,584	4.47 %
Eating/Drinking Places w/General on-sale Lic.	102	1.58 %	1,101,698	2.36 %
Building Material	34	0.53 %	2,902,303	6.21 %
Grocery Stores w/General Liquor Lic. 21	31	0.48 %	1,183,266	2.53 %
Full Time Specialty Stores	1290	19.98 %	1,272,609	2.72 %
Petroleum, Petroleum Products, Oil Well, Refining and Service Station Equipment	74	1.15 %	1,792,815	3.83 %
All Other	4398	68.13 %	20,771,892	44.42 %
Total	6,455	100.00 %	46,758,047	100.00 %

	2013			
	Number of Filers	Percent of Total	Tax Liability Paid	Percent of Total \$
	36	0.50 %	\$ 8,737,511	14.32 %
	23	0.32 %	8,640,074	14.16 %
	87	1.21 %	5,262,064	8.62 %
	181	2.52 %	3,023,599	4.95 %
	394	5.49 %	3,095,508	5.07 %
	342	4.77 %	2,961,130	4.85 %
	23	0.32 %	2,411,827	3.95 %
	106	1.48 %	1,903,877	3.12 %
	786	10.96 %	1,798,271	2.95 %
	42	0.59 %	2,335,864	3.83 %
	5154	71.84 %	20,867,177	34.18 %
Total	7174	100.00 %	\$ 61,036,902	100.00 %

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue. The amounts shown are gross collections prior to refunds and collections of amounts due from prior year. Fiscal years 2004 and 2013 are the most current years for which a nine year history can be shown.
Source: California State Board of Equalization

CITY OF BAKERSFIELD

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

Fiscal Year	General Obligations Bonds	Net Bonded Debt	Total	Ratio of Net Bonded Debt to Assessed Value	Population (1)	Total Debt Per Capita
2005	\$ 2,070,000	\$ -	\$ 2,070,000	0.00 %	\$ 281,578	7.35
2006	1,055,000	-	1,055,000	0.00 %	296,177	3.56
2007 (2)	-	-	-	0.00 %	311,332	0.00
2008	-	-	-	-	322,008	0.00
2009	-	-	-	-	327,650	0.00
2010	-	-	-	-	333,847	0.00
2011	-	-	-	-	338,952	0.00
2012	-	-	-	-	354,480	0.00
2013	-	-	-	-	359,221	0.00
2014	-	-	-	-	367,315	0.00



Notes:
Includes all long-term general obligation bonded debt.
(1) State Department of Finance
(2) General Obligation Water Refunding Bonds, 2002 paid in full at December 15, 2006.
Source: City Finance Department

CITY OF BAKERSFIELD

**Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-Type Activities		
	Revenue Bonds	Notes	Certificates of Participation	Total Governmental Activities (3)	Revenue Bonds	Bonds
2005	\$ 7,255,000	\$ 4,739,000	\$ 33,465,000	\$ 45,459,000	\$ -	\$ 2,070,000
2006	6,165,000	4,571,000	34,805,000	45,541,000	-	1,055,000
2007	4,385,000	4,394,000	33,560,000	42,339,000	-	-
2008	3,315,000	4,208,000	31,930,000	39,453,000	243,032,633	-
2009	-	4,014,000	30,230,000	34,244,000	242,701,570	-
2010	-	5,611,000	28,465,000	34,076,000	241,270,507	-
2011	-	5,167,000	26,620,000	31,787,000	238,994,444	-
2012	-	4,801,000	24,710,000	29,511,000	217,003,381	-
2013	-	4,423,000	22,725,000	27,148,000	201,875,000	-
2014	-	4,150,049	20,640,000	24,790,049	200,236,254	-

Business-Type Activities					Total Primary Government	Percentage of Personal Income (1) (4)	Per Capita (2) (4)
Deferred Bond Premium	Notes	Capital Leases (4)	Total Business-Type Activities				
\$ -	\$ 13,902,687	\$ -	\$ 15,972,687	\$ 61,431,687	0.15 %	\$95	
-	12,947,272	-	14,002,272	59,543,272	0.12 %	79	
-	13,054,738	-	13,054,738	55,393,738	0.10 %	68	
8,607,633	11,804,769	-	263,445,035	302,898,035	1.22 %	824	
8,276,570	10,614,878	-	261,593,018	295,837,018	1.10 %	796	
7,945,507	8,991,701	-	258,207,715	292,283,715	1.06 %	778	
7,614,444	7,521,262	22,138,054	276,268,204	308,055,204	4.02 %	801	
7,283,381	6,769,136	21,664,941	252,720,839	282,231,839	3.69 %	796	
6,621,255	6,017,009	21,174,195	235,687,459	262,835,459	3.34 %	732	
-	5,264,884	20,664,937	226,166,075	250,956,124	3.11 %	683	

Notes:

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

(1) U.S. Dept of Commerce Bureau of Economic Analysis. As available, figures and estimates should be used for general purposes only. Estimates are revised periodically to include data that may not have been available at the time. Personal income was used for the base of this calculation. Details can be found in the Demographic and Economic Statistics.

(2) State Department of Finance. Estimates are revised periodically to include data that may not have been available at the time. Population was used for the base of this calculation. Details can be found in the Demographic and Economic Statistics.

(3) Total Governmental Activities and Total Primary Government totals do not include Compensated Absences.

(4) As restated.

Sources: City Finance Department

CITY OF BAKERSFIELD

**Direct and Overlapping Debt (1)
As of June 30, 2014**

2013 - 14 Assessed Valuation	\$	22,777,259,809		
Adjusted Assessed Valuation	\$	22,777,259,809		
		<u>Debt Outstanding (2)</u>	<u>Estimated Percentage Applicable (3)</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Tax and Assessment Debt				
Kern Community College District Safety				
School Facilities Improvement District	\$	151,861,262	28.116%	\$ 42,697,312
Kern High School District		197,351,209	47.279	93,305,678
Bakersfield City School District		65,628,863	70.785	46,455,391
Beardsley School District		14,209,898	19.338	2,747,910
Edison School District		5,299,942	0.022	1,166
Fairfax School District		7,310,032	22.708	1,659,962
Fruitvale School District		21,287,663	75.465	16,064,735
Greenfield Union School District		14,358,406	86.159	12,371,059
Lakeside Union School District		13,201,806	36.168	4,774,829
Lamont School District		2,889,775	0.021	607
Norris School District		18,094,031	59.628	10,789,109
Panama-Buena Vista Union School District		18,405,000	97.056	17,863,157
Rio Bravo-Greeley Union School District		11,225,524	0.278	31,207
Standard School District		25,525,000	1.128	287,922
Vineland School District		3,984,982	0.0004	16
Kern Delta Water District		1,080,000	75.081	810,875
Greenfield Union School District CFD No. 1 & 3		5,050,000	100.000	5,050,000
RNR School Financing Authority		73,785,000	70.840	52,269,294
Total Overlapping Tax and Assessment Debt	\$	650,548,393		\$ 307,180,229
Overlapping General Fund Debt				
Kern County Certificates of Participation	\$	116,475,000	25.181	\$ 29,329,570
Kern County Pension Obligations		334,575,506	25.181	84,249,458
Rio Bravo-Greeley Union School District				
General Fund Obligation		915,000	0.278	2,544
Certificates of Participation:				
Kern County Board of Education		41,050,000	25.181	10,336,801
Kern County Community College District		59,870,000	25.421	15,219,553
Kern County Community College District Benefit		82,245,000	25.421	20,907,501
Kern High School District		150,920,000	47.279	71,353,467
Fairfax School District		4,435,000	22.708	1,007,100
Panama-Buena Vista Union School District		29,950,000	97.056	29,068,272
Overlapping Tax Increment Debt (Successor Agency)		2,985,000	100.000	2,985,000
Total Overlapping General Fund Debt	\$	823,420,506		\$ 264,459,266
Direct Debt				
City of Bakersfield				
City of Bakersfield General Fund Obligations				\$ 20,640,000
Long-term notes payable				\$ 4,150,049

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

Public Financing Authority Revenue Bonds	
Total Direct and Overlapping Debt	\$ 596,429,544

CITY OF BAKERSFIELD
Computation of Legal Debt Margin
June 30, 2014

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

CITY OF BAKERSFIELD
Pledged - Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Wastewater Revenue Bonds					
	Sewer Charges and Other Revenue (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service (3)(4)		Coverage (5)
				Principal	Interest	
2004-2005	\$ 30,227,439	\$ 8,931,127	\$ 21,296,312	\$ 5,110,000	\$ 79,838	4.10
2005-2006	34,088,363	9,836,368	24,251,995	-	-	N/A
2006-2007	33,382,155	10,743,656	22,638,499	-	-	N/A
2007-2008	34,245,054	12,622,868	21,622,186	-	3,872,689	5.58
2008-2009	33,776,649	11,447,963	22,328,686	-	10,361,705	2.15
2009- 2010	38,115,751	11,928,571	26,187,180	1,100,000	9,597,489	2.45
2010-2011 (6)	36,073,819	14,144,051	21,929,768	1,945,000	9,451,151	1.92
2011-2012	36,769,858	12,913,038	23,856,820	2,930,000 (7)	9,959,591	1.85
2012-2013	37,901,401	13,156,437	24,744,964	2,845,000 (8)	8,744,990	2.14
2013-2014	39,610,854	14,265,421	25,345,433	3,260,000 (8)	8,575,931	2.14

Notes:

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

Operating expenses do not include interest or depreciation expenses.

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

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

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

(4) Issued Sewer Revenue Bonds, Series 2007A and 2007B in August of 2007.

(5) Minimum coverage requirement on the Wastewater Revenue bonds is 1.25.

(6) Previous report included arbitrage expenses. Revenue have been corrected.

(7) In addition to the normal debt service amount referenced above, there was a partial bond call of \$18,730,000 approved by the City Council to reduce the principal balance of the 2007B bond down to \$25 million. Sewer revenue bonds 2007B were refunded in January 2012 (series 2012A) to change the liquidity provider from Dexia to JP Morgan Chase.

(8) In addition to the normal debt service referenced above, Council approved partial bond calls of \$5 million each year to reduce the principal balance of Sewer revenue bonds series 2012A.

Source: City Finance Department

CITY OF BAKERSFIELD

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

Fiscal Year	Population (1)	Personal Income (2) (millions)	Per Capita Personal Income (2)	Median Age (3)	Education Level as a % of Population having Formal Schooling (3) (4)	Elementary School Enrollment (5)	Estimated Unemployment Rate (%) (6)
2004-2005	281,578	\$ 5,282	\$ 18,761	29.8	72.2 %	28,234	8.3%
2005-2006	296,177	5,785	19,535	30.0	71.9 %	27,890	7.3%
2006-2007	311,332	6,439	20,684	29.8	70.1 %	27,403	8.0%
2007-2008	322,008	6,906	21,448	30.0	70.2 %	27,085	9.5%
2008-2009	327,650	7,085	21,624	30.3	71.5 %	27,263	14.7%
2009-2010	333,847	7,034	21,071	30.8	78.1 %	27,267	15.8%
2010-2011	338,952	7,007	20,675	29.5	77.8 %	27,590	15.3%
2011-2012	354,480	7,640	21,553	29.5	78.1 %	21,411	10.5%
2012-2013	359,221	7,862	21,887	29.8	77.8 %	23,422	8.4%
2013-2014	367,315	8,074	21,980	30.0	78.2 %	24,012	7.9%

Notes:

- (1) State Department of Finance. Estimates are revised periodically to include data that may not have been available at the time.
- (2) U.S. Dept of Commerce Bureau of Economic Analysis. As available, figures and estimates should be used for general purposes only. Estimates are revised periodically to include data that may not have been available at the time. Information is for Bakersfield Metropolitan area. Effective 2008-2009 information now includes Delano area.
- (3) U.S. Census Bureau estimates as available for Bakersfield Metropolitan area.
- (4) This column shows the percent of the City population 25 years and older who are high school graduates or higher.
- (5) Ed-Data Education Data Partnership.
- (6) State of California Employment Development Department (Data shown is for Kern County).

CITY OF BAKERSFIELD

**Principal Employers (1)
Current Year and Nine Years Ago**

Employer	2005		2014		Percent of Total City Employment
	Employees	Rank	Employees	Rank	
County of Kern (1)	N/A		7,811	1	4.70 %
Kern High School District (1)			3,888	2	2.34 %
Bakersfield City School District			3,203	3	1.93 %
San Joaquin Community Hospital			2,039	4	1.23 %
Panama-Buena Vista Union School District			2,038	5	1.23 %
Wm. Bolthouse Farms			1,937	6	1.17 %
Chevron Corp.			1,873	7	1.13 %
Nabors Completion & Production Services			1,700	8	1.02 %
Bakersfield Memorial Hospital			1,650	9	0.99 %
City of Bakersfield			1,455	10	0.88 %
Others			138,506		83.38 %
Total	<u>N/A</u>	<u></u>	<u>166,100</u>	<u></u>	<u>100.00 %</u>

- (1) Not all employees are employed within the Bakersfield City Limits.
- Source: Top 10 employers provided by MuniServices, LLC.
- Total number of employed persons in Bakersfield provided by EDD Labor Force Data.
- Note: Only current data is available.



CITY OF BAKERSFIELD

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government	96	139	123	125	88	98	106	109	110	119
Public safety										
Police										
Officers	345	346	373	373	344	358	380	385	389	394
Civilians	120	132	144	145	127	127	123	131	137	143
Fire										
Firefighters and officers	180	180	183	183	181	179	176	177	177	177
Civilians	21	27	29	29	19	19	19	19	21	22
Public works	255	271	281	281	248	244	244	247	250	254
Community services	119	129	175	174	155	147	151	153	153	150
Community development	-	-	-	-	-	-	-	-	65	63
Development services	67	81	98	94	91	69	57	55	-	-
Economic/Community dev.	17	17	17	22	22	20	12	11	-	-
Business-type activities:										
Wastewater treatment	29	29	55	53	49	55	54	56	57	59
Refuse collection	91	133	110	110	102	102	102	103	106	107
Domestic/Agricultural water	23	23	25	25	26	28	28	28	28	28
General aviation	-	-	-	-	-	-	-	-	-	-
Offstreet parking	-	-	-	-	-	-	-	-	-	-
Total	1,363	1,507	1,613	1,614	1,452	1,446	1,452	1,474	1,493	1,516

Source: City Finance Department

CITY OF BAKERSFIELD

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

Fiscal Year (3) (4)	Commercial Construction		Residential Construction		Other Construction	Total Construction		Bank Deposits (2)
	No. of Units	Value	No. of Units	Value	Value	No. of Units	Value	
2004-2005	103	\$ 62,202	4,291	\$ 675,804	\$ 115,348	4,394	\$ 853,354	\$ 4,027,043
2005-2006	76	36,008	5,314	870,190	94,661	5,390	1,000,859	4,376,691
2006-2007	151	69,002	3,532	564,588	101,835	3,683	735,425	4,432,920
2007-2008	153	78,506	1,922	296,788	104,710	2,075	480,004	4,315,921
2008-2009	95	60,840	1,090	237,091	93,314	1,185	391,245	4,485,261
2009-2010	83	62,088	1,097	232,275	86,668	1,180	381,031	4,728,745
2010-2011	40	13,425	848	197,380	98,057	888	308,862	5,172,880
2011-2012	40	41,482	422	92,313	81,984	462	215,779	5,280,515
2012-2013	49	20,807	1,122	259,851	108,877	1,171	389,535	5,626,755
2013-2014	69	15,710	1,336	312,569	157,024	1,405	485,303	6,069,764

Notes:

- (1) Property value and bank deposits reported in thousands.
- (2) Federal Deposit Insurance Corporation
- (3) Previous report stated 6 months of data. Numbers have been corrected to represent a full year.
- (4) Construction units and values are based on a 12 month calendar year. June 30, 2014 data reflects the 2013 calendar year.

CITY OF BAKERSFIELD
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2005	2006	2007	2008
Public safety - Police				
Physical arrests	14,567	16,677	18,210	17,272
Parking violations	9,992	10,572	9,146	11,094
Traffic violations	22,833	-	17,950	10,681
Public safety - Fire				
Number of calls answered	24,348	25,735	22,505	27,390
Inspections	3,610	3,906	5,996	3,616
Public works				
Street resurfacing (lane miles)	22	73	55	76
Refuse collection				
Refuse collected (tons/day)	85,332	91,110	101,800	94,750
Recyclables collected (tons/day)	31,155	34,588	33,100	35,300
Recreation & parks				
Athletic field permits issued	3,396	3,528	2,463	6,902
Community center, aquatics/sports admissions	59,962	89,478	124,465	301,198
Domestic/agricultural water				
New connections	2,056	2,109	1,862	2,542
Water main breaks	42	43	87	35
Average daily consumption (thousands of gallons)	31,790	32,139	31,894	38,028
Wastewater treatment				
Average daily sewage treatment (millions of gallons)	29.95 MGD	30.54 MGD	31.12 MGD	31.18 MGD

Source: City Finance Department

Function	Fiscal Year					
	2009	2010	2011	2012	2013	2014
Public safety - Police						
Physical arrests	18,531	17,023	22,028	29,623	32,158	37,246
Parking violations	7,985	5,522	5,433	4,708	6,620	10,499
Traffic violations	11,365	12,018	10,043	9,172	11,528	15,065
Public safety - Fire						
Number of calls answered	28,605	26,885	27,392	28,870	31,164	32,898
Inspections	2,444	2,896	3,355	3,276	3,660	4,195
Public works						
Street resurfacing (lane miles)	84	49	83	129	127.27	116.02
Refuse collection						
Refuse collected (tons/day)	100,750	112,000	111,500	108,200	111,420	110,125
Recyclables collected (tons/day)	39,200	42,000	47,000	48,215	53,350	55,500
Recreation & parks						
Athletic field permits issued	6,849	6,219	5,685	10,156	9,297	9,625
Community center, aquatics/sports admissions	323,661	379,286	440,101	473,530	475,619	502,994
Domestic/agricultural water						
New connections	1,293	954	493	301	701	1,123
Water main breaks	14	5	7	10	14	4
Average daily consumption (thousands of gallons)	41,542	36,370	27,008	27,568	36,730	39,712
Wastewater treatment						
Average daily sewage treatment (millions of gallons)	31.49 MGD	31.49 MGD	32.3 MGD	31.28 MGD	32.13 MGD	30.00 MGD

CITY OF BAKERSFIELD

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

Function	Fiscal Year				Fiscal Year					
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Land (1) Area (2)	118.51	120.85	135.48	139.91	143.46	144.40	149.75	149.80	150.01	150.18
Public safety										
Police stations/substations	4	4	4	4	4	4	4	4	4	3
Fire stations	13	13	13	13	13	14	14	14	14	14
Refuse collection										
Collection trucks	42	44	55	56	57	57	57	53	55	57
Public works										
Streets (miles) (3)	1,028	1,069	1,178	1,236	1,242	1,379	1,394	1,409	1,424	1,441
Streetlights	13,316	14,101	14,965	15,474	15,809	15,923	16,092	16,160	16,602	16,388
Traffic signals	293	302	314	326	343	359	394	394	402	410
Recreation & parks										
Parks acreage	432	432	447	454	484	494	595	595	595	623
Parks	46	46	48	49	55	55	59	59	59	59
Swimming pools	6	6	6	6	6	4	4	4	4	4
Tennis courts	11	11	11	11	11	11	11	12	12	12
Community centers	3	3	3	3	3	3	3	3	3	3
Domestic/Agricultural water										
Water mains (miles) (3)	466	469	470	478	491	493	501	502	503	505
Fire hydrants (3)	8,518	9,040	9,600	9,765	10,041	10,220	10,301	10,441	10,581	10,723
Wastewater treatment										
Sanitary sewers (miles)	921	962	1,028	1,055	1,059	1,059	1,061	1,061	1,061	1,063
Storm sewers (miles)	189	204	244	259	261	262	263	263	263	265
Maximum daily treatment capacity (millions of gallons)	41 MGD	41 MGD	41 MGD	41 MGD	41 MGD	57 MGD	57 MGD	57 MGD	57 MGD	57 MGD

Notes:

- (1) Reported in square miles.
(2) Corrected number for 2008 more accurate information provided.
(3) Corrected numbers for all years with more accurate information provided.
Source: City Finance Department

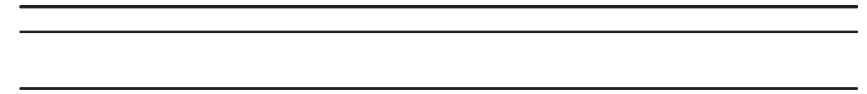
CITY OF BAKERSFIELD

**Schedule of Insurance in Force
June 30, 2014**

Liability	Limits	
Excess Workers' Compensation		Statutory Limit with a \$500,000 self-insured retention.
Excess Liability	\$ 50,000,000	Limit with a \$1,000,000 self-insured retention.
Combination Crime	\$ 2,000,000	Coverage limit, \$25,000 deductible.
Airport Operations	\$ 10,000,000	Coverage limit.
Aircraft	\$ 10,000,000	Coverage limit.
Physical Loss:		
All Risk Property and Boiler Machinery	\$ 600,000,000	Coverage on buildings and contents subject to \$5,000 deductible with various sublimits.
Auto-Physical Damage		Coverage for high value vehicles over \$100,000 subject to a \$10,000 deductible.
Life and Medical:		
Life and Accident	\$ 2,000	Supervisory & Management employees. Each employee (basic coverage) and additional insurance equal to annual salary to nearest \$1,000.
	\$ 12,000	Safety employees, each employee (basic coverage).
	\$ 30,000	Miscellaneous employees, each employee (basic coverage).
Medical and Dental		Basic coverage plus (no lifetime maximum) extended benefits of 90% after \$350 deductible for medical (Anthem Blue Cross) or Group dental (\$50 deductible for Met Life).

Source: Liability and Physical Loss coverage is provided by the City's Risk Management.

Department. Life and Medical coverage is provided by the City's Human Resource Department.



Insurance Company	Policy Number	Expiration Date	Annual Premium
CSAC-EIA		07/01/15	\$ 590,110
ACCEL		06/30/15	747,392
CSAC	CRIME1415	07/01/15	12,000
Pik West	AP3791956-06	07/01/15	3,071
XL Specialty	NAC4032245	07/01/15	10,975
CSAC		03/31/15	330,462



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APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

City of Bakersfield
1600 Truxtun Avenue
Bakersfield, CA 93301

\$145,500,000
City of Bakersfield, California
Wastewater Revenue Refunding Bonds
Series 2015A

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Bakersfield, California (the “City”) in connection with the issuance and sale by the City of \$145,500,000 aggregate principal amount of its Wastewater Revenue Refunding Bonds, Series 2015A (the “Series 2015A Bonds”). The Series 2015A Bonds are being used to (i) advance refund and defease \$156,750,000 aggregate principal amount of the City’s outstanding City of Bakersfield, California Wastewater Revenue Bonds, Series 2007A (the “Refunded Bonds”); and (ii) pay costs of issuance of the Series 2015A Bonds.

The Series 2015A Bonds are being issued pursuant to Section 33.3 of the Charter of the City (the “Charter”), Chapter 3.55 of the City’s Municipal Code (the “Municipal Code”), which incorporates certain provisions of the Revenue Bond Law of 1941, Section 54300, et seq., of the California Government Code (the “Revenue Bond Law”), certain provisions of the laws of the State of California (the “State”) (including Section 53580 et seq. of the California Government Code) (the “Refunding Law”), Resolution No. 078-15 adopted by the City Council on June 24, 2015 (the “Resolution”), the Master Trust Indenture, dated as of August 1, 2007 (the “Master Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”), and a Fourth Supplemental Trust Indenture, dated as of August 1, 2015 (the “Fourth Supplemental Indenture” and together with the Master Indenture, the “Indenture”), by and between the City and the Trustee.

The Series 2015A Bonds are special, limited obligations of the City payable solely from and secured by the Net Revenues (as defined in the Master Indenture) derived by the City from the operations of the Enterprise (as defined in the Master Indenture) and certain funds and accounts held under the Indenture. None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owners of the Series 2015A Bonds, and neither the full faith and credit nor the taxing power of the City, Kern County, the State of California (the “State”), or any other political subdivision or agency of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2015A Bonds.

In connection with the issuance of the Series 2015A Bonds, we have examined the following:

- (a) a copy of the Charter, the Municipal Code, the Revenue Bond Law and the Refunding Law;
- (b) a certified copy of the Resolution;

- (c) an executed counterpart of the Master Indenture;
- (d) an executed counterpart of the Fourth Supplemental Indenture;
- (e) certifications of the City and others;
- (f) an executed counterpart of a Tax Compliance Certificate dated this date relating to the Series 2015A Bonds (the “Tax Certificate”);
- (g) an opinion of the City Attorney with respect to the City;
- (h) an executed counterpart of the Escrow Agreement, dated August 13, 2015, by and between the City and U.S. Bank National Association, as Trustee and escrow agent, with respect to the Refunded Bonds;
- (i) an executed counterpart of the Verification Report, dated August 13, 2015, by Grant Thornton LLP; and
- (j) such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The City is duly organized and existing as a Charter City under and by virtue of the Constitution and the laws of the State, with the power to enter into and perform its obligations under the Master Indenture and the Fourth Supplemental Indenture and to issue the Series 2015A Bonds.
2. The Master Indenture and the Fourth Supplemental Indenture have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, represent valid and binding agreements of the City enforceable in accordance with their terms.
3. The Series 2015A Bonds have been validly authorized, executed and issued in accordance with the Charter, the Municipal Code, the Refunding Law, the Resolution, the Master Indenture and the Fourth Supplemental Indenture. The Series 2015A Bonds represent valid and binding limited obligations of the City payable solely from and secured by an assignment and pledge by the City to the Trustee of the Net Revenues and certain funds and accounts created under the Master Indenture and the Fourth Supplemental Indenture, and not out of any other fund or money of the City or the State.
4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2015A Bonds is not a specific preference item for purposes of the federal alternative minimum tax; however, such interest is included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of the federal alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).
5. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015A Bonds is exempt from all present State personal income taxes.

The opinions set forth in paragraph 4 regarding the exclusion of interest on the Series 2015A Bonds from the gross income of the recipients thereof for federal income tax purposes is subject to the

accuracy of certain representations and the continuing compliance by the City with covenants regarding federal tax law contained in the Master Indenture, the Fourth Supplemental Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2015A Bonds to be included in gross income retroactive to the date of issuance of the Series 2015A Bonds. Although we are of the opinion that interest on the Series 2015A Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2015A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The obligations of the City and the security provided therefor, as contained in the Series 2015A Bonds, the Master Indenture and the Fourth Supplemental Indenture may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. As Bond Counsel to the City, we have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement, dated July 8, 2015, or any other offering material relating to the Series 2015A Bonds and express no opinion relating thereto. Our engagement with respect to the Series 2015A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

Very truly yours,

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the City, and City does not take any responsibility or have any liability with respect thereto. The City shall have no responsibility or liability for any aspects of the records maintained by DTC relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Series 2015A Bonds.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2015A Bonds. The Series 2015A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015A Bond certificate will be issued for each maturity of the Series 2015A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The foregoing internet address is included for reference only and the information on the internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information included in such internet site.*

Purchases of the Series 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners

will not receive certificates representing their ownership interests in the Series 2015A Bonds, except in the event that use of the book-entry system for the Series 2015A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2015A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2015A Bond documents. For example, Beneficial Owners of Series 2015A Bonds may wish to ascertain that the nominee holding the Series 2015A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2015A Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2015A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal payments, and interest payments with respect to the Series 2015A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2015A Bonds at any time by giving reasonable notice to the City or the Trustee. Under such

circumstances, in the event that a successor securities depository is not obtained, Series 2015A Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2015A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY OF BAKERSFIELD, CALIFORNIA WASTEWATER REVENUE REFUNDING BONDS, SERIES 2015A

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Bakersfield (the “City”) in connection with the issuance and delivery of \$145,500,000 City of Bakersfield, California, Wastewater Revenue Refunding Bonds, Series 2015A (the “Series 2015A Bonds”). The Series 2015A Bonds are being issued pursuant to (i) the charter of the City, (ii) the City of Bakersfield Enterprise Revenue Bond Law, being Chapter 3.55 of the City’s Municipal Code (the “Bond Law”), which incorporates, to the extent made applicable by the Bond Law, the Revenue Bond Law of 1941, being Chapter 6 of Division 2 of Title 5 of the California Government Code, as amended, (iii) certain provisions of the laws of the State of California (including Section 53580 et seq. of the California Government Code, (iv) Resolution No. 078-15 adopted by the City Council of the City on June 24, 2015 (the “Resolution”), and (v) a Master Trust Indenture, dated as of August 1, 2007 (the “Master Indenture”), by and between the City and U.S. Bank National Association, a national association, as trustee (the “Trustee”), as supplemented by a Fourth Supplemental Trust Indenture, dated as of August 1, 2015 (the “Fourth Supplemental Indenture,” and collectively with the Master Indenture, the “Indenture”), by and between the City and the Trustee. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2015A Bonds and in order to assist the Participating Underwriters in complying with the Rule.

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

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015A Bonds (including persons holding Series 2015A Bonds through nominees, depositories, or other intermediaries).

“Dissemination Agent” shall mean the City or any successor Dissemination Agent designated in writing by the City and that has filed with the City a written acceptance of such designation.

“Fiscal Year” shall mean the 12-month period beginning on July 1 and ending on the next following June 30, unless and until changed by the City.

“Holder” shall mean either the registered owner of any Series 2015A Bond, or, if the Series 2015A Bonds are registered in the name of DTC or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final Official Statement dated July 8, 2015, relating to the Series 2015A Bonds.

“Participating Underwriters” shall mean, collectively, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner, & Smith Incorporated, and Morgan Stanley & Co. LLC, and any other original underwriters of the Series 2015A Bonds required to comply with the Rule in connection with offering of the Series 2015A Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the City’s Fiscal Year (*i.e.*, currently, not later than April 1 of each year), commencing with the report for the 2014-15 Fiscal Year, provide to MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) calendar days prior to each such Annual Report Date, the City shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the City. The Annual Report must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as is prescribed by MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if such audited financial statements are not available by such date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) Not later than 15 Business Days prior to the date required in subsection (a), the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to MSRB an Annual Report by the date required in subsection (a), the City shall send to MSRB a notice in substantially the form attached hereto as Exhibit A. Such notice must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as prescribed by MSRB.

(c) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB by the date required in subsection (a);

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

(iii) if the Dissemination Agent is other than the City, take any other actions mutually agreed upon between the Dissemination Agent and the City.

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

(a) The audited financial statements of the City for the prior Fiscal Year. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements of the City in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements are prepared, the City shall provide a notice of such modification to MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) The following information with respect to the City for the Fiscal Year to which the Annual Report relates, which information may be provided by its inclusion in the audited financial statements of the City for the prior Fiscal Year described in subsection (a) above:

(i) The principal amount of Series 2015A Bonds outstanding, including principal amounts and years of maturity of Series 2015A Bonds, if any, called for redemption in advance of maturity.

(ii) Information with respect to any material changes to the wastewater treatment plants or the other facilities comprising the Enterprise, or the operation thereof, as described in the Official Statement under the heading "THE ENTERPRISE - Wastewater Treatment Plant No. 2" "- Wastewater Treatment Plant No. 3," "- Sewer Video Inspection Program," and "- Wastewater Treatment Process."

(iii) Updated information with respect to single-family dwelling equivalent ("SFDE") service units, annual service charges, types of sewer users and principal Revenue contributors, substantially in the form presented in the tables set forth in the Official Statement under the heading "THE ENTERPRISE - Wastewater Treatment Fund - Rates and Charges."

(iv) Financial information concerning the City's Wastewater Treatment Fund for the prior Fiscal Year only, which information for such Fiscal Year shall be presented substantially in the form set forth in the tables set forth in the Official Statement under the heading "THE ENTERPRISE - Wastewater Treatment Fund - Financial Statements."

(v) Information concerning material changes in the City's insurance program, as discussed in Appendix B to the Official Statement.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, that are available to the

public on MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015A Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on any reserve fund for the Series 2015A Bonds reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements securing the Series 2015A Bonds reflecting financial difficulties;
- (v) substitution of any credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015A Bonds, or other material events affecting the tax status of the Series 2015A Bonds;
- (vii) modifications to the rights of Owners of the Series 2015A Bonds, if material;
- (viii) Series 2015A Bond calls, if material, and tender offers for the Series 2015A Bonds;
- (ix) defeasances;
- (x) any release, substitution, or sale of property securing repayment of the Series 2015A Bonds, if material;
- (xi) rating changes;
- (xii) any bankruptcy, insolvency, receivership, or similar event of the City [this Listed Event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City];
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of

business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon and after the occurrence of a Listed Event listed under subsection (a)(ii), (a)(vii), (a)(viii), (a)(x), (a)(xiii), or (a)(xiv) above, the City shall as soon as possible determine if such event would be material under applicable federal securities laws. If the City determines that knowledge of the occurrence of such Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent, if different from the City, in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) below.

(c) Upon and after the occurrence of any Listed Event (other than a Listed Event listed under subsection (a)(ii), (a)(vii), (a)(viii), (a)(x), (a)(xiii), or (a)(xiv) above), the City shall promptly notify the Dissemination Agent, if different from the City, in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) below.

(d) The City or the Dissemination Agent, if the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, shall file a notice of such occurrence with MSRB, not in excess of ten (10) business days after the occurrence of such Listed Event. Such notice must be submitted in an electronic format as prescribed by MSRB, accompanied by such identifying information as prescribed by MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2015A Bonds pursuant to the Indenture.

(e) The City hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the City and that the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the City and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2015A Bonds. If such termination occurs prior to the final maturity of the Series 2015A Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the City. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the City. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the City in a timely manner and in a form suitable for filing. The City shall initially act as its own Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including a change in law (including rules or regulations) or in interpretations thereof), or a change in the identity, nature, or status of the City or the type of business conducted thereby;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series 2015A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by Holders of the Series 2015A Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2015A Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to MSRB.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Series 2015A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the City agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees, and agents, harmless against any losses, expenses, and liabilities that it may incur arising out of or in the exercise or performance of its duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015A Bonds. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the City pursuant to this Disclosure Agreement. The City shall pay the reasonable fees and expenses of the Dissemination Agent for its duties hereunder.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Series 2015A Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

CITY OF BAKERSFIELD

By: _____

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Bakersfield, California

Name of Bond Issue: City of Bakersfield, California, Wastewater Revenue Refunding Bonds,
Series 2015A

Date of Issuance: August 13, 2015

NOTICE IS HEREBY GIVEN that the City of Bakersfield, California (the "City"), has not provided an Annual Report with respect to the above-named Series 2015A Bonds as required by Section 3 of the Continuing Disclosure Certificate executed by the City on [Closing Date]. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF BAKERSFIELD

By: _____
Finance Director



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272