



Ridgecrest Redevelopment Agency



Basic Financial Statements and
Independent Auditors' Report
For the Fiscal Year Ended June 30, 2009

Ridgecrest Redevelopment Agency
Basic Financial Statements
For the year ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Members of the Governing Board
of the Ridgecrest Redevelopment Agency
Ridgecrest, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest, California (City), as of and for the year ended June 30, 2009, which collectively comprise of the Agency's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Subsequent to the financial statements date of June 30, 2009 and the year then ended, the State of California (State) has proposed taking Redevelopment Agency funds from local governments. These amounts are very significant to the local governments and may affect their ongoing operations. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 10 attached in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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To the Members of the Governing Board
of the Ridgecrest Redevelopment Agency
Ridgecrest, California

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budget information, and budgetary comparison schedule as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capricci & Carson

San Diego, California
December 21, 2009

**Redevelopment Agency of the City of Ridgecrest
Management's Discussion and Analysis
For the year ended June 30, 2009**



The discussion and analysis of the Redevelopment Agency's (Agency's) financial performance provides an overall review of the Agency's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report ending June 30, 2008, to enhance their understanding of the Agency's financial performance. This is the ongoing implementation of a new reporting format in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

The financial section of this report has been prepared to show the results of the financial administration, financial condition, and operation of the Agency. The combined financial statements in this report have been audited by the firm of Caporicci and Larson, CPAs, whose opinion is included.

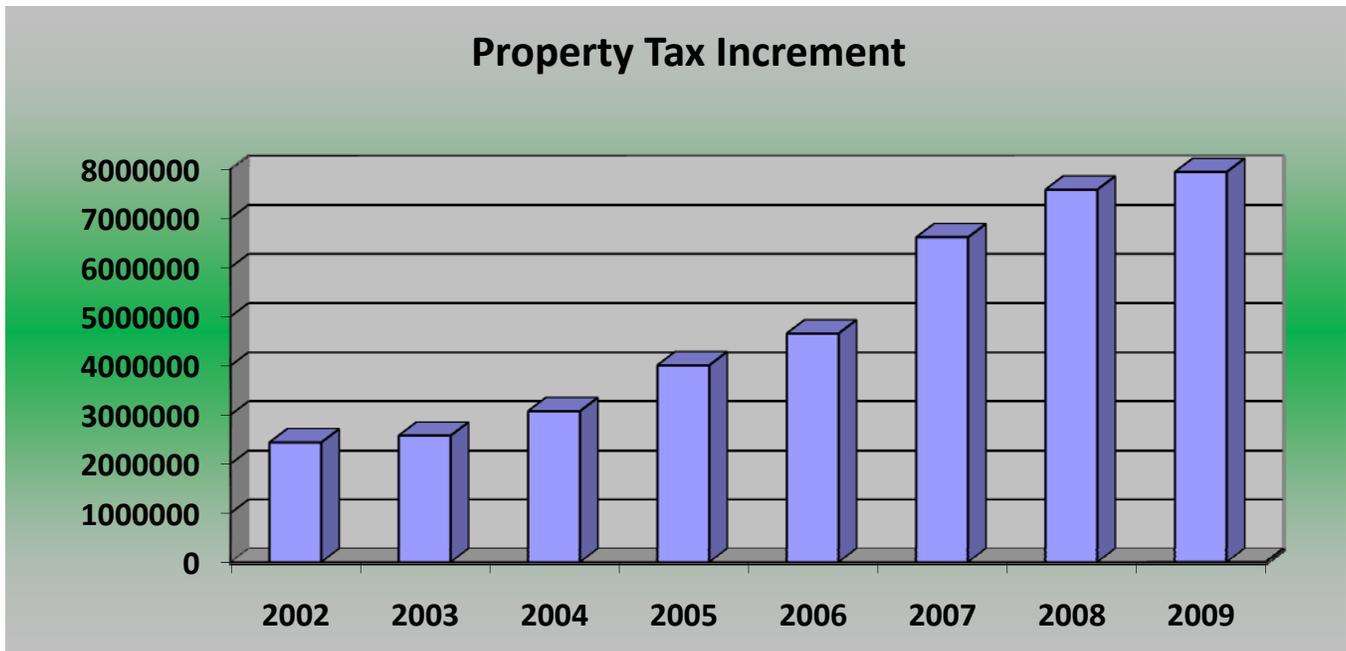
BASIS OF ACCOUNTING AND FUND GROUPINGS

The basic financial statements are presented on an *"economic resources"* measurement focus and, accordingly, all of the Agency's assets and liabilities, including capital assets and long term liabilities, are reflected in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. The basic financial statements also are structured to reflect the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Governmental Funds statements are presented on a spending or *"current financial resources"* measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The Governmental Funds statements are also presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The Agency maintains funds in accordance with generally accepted accounting principles set forth by the GASB and other rule-making entities.

FINANCIAL DISCUSSION

Under the Governmental Funds statements, the Agency reported an excess of revenues over expenditures of \$6,529,767 this compares to an excess of revenues over expenditures of \$6,296,738 in the prior year; and a \$4,680,265 position in fiscal year 2007. The total fund balance at June 30, 2009 was \$11.55 million compared to \$6.38 million in FY 2008. The increase in fund balance is due to both sales of land and an increase on un-appropriated tax increment revenue. Total reserved fund balance at June 30, 2009 in the Special Revenue (Housing) Fund was \$4,901,910; in the Capital Projects Fund (Redevelopment) was \$4,171,122; and in the Debt Service Fund was \$2,478,251. These reservations include \$578,895 million for debt service repayment in the current year; \$19,002 for encumbrances; and \$1.3M for capital projects. Total increased net assets during the fiscal year was \$5.2 million compared to the increased net assets of \$5.65 million on June 30, 2008. Property taxes revenue went up by 4.7% over last year causing the fluctuation in the change in net assets. This is an indication of increasing development in the project area as well as rising property values. Below is the chart showing the trend in property tax revenue.



Fiscal Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Tax increment	\$2,434,673	\$2,573,435	\$3,072,582	\$4,007,401	\$4,654,675	\$6,610,491	\$7,583,131	\$7,941,697

Total revenue for fiscal year 2009 was \$8.8 million of which 90.2% was tax increment, 2.3% was investment and rental revenue, and less than 7.5% was other revenue. This compares to 2008 revenue which was \$8.54 million, of which 84% was tax increment revenue, 4% was investment and rental earnings, and 12% was miscellaneous revenue.

Total expenditures for fiscal year 2009 is \$2.4 million. This compared to fiscal year's 2008 \$2.5 million. Expenditures were composed of Community Development \$1.73 million (compared to the prior year's expenditures of \$1.37 million) which includes economic development loans and other support of public-private development initiatives; and \$1.08M (compared to the prior year's \$1.09 million) for repayments of long-term debt, interest, and fiscal agent cost.

**Redevelopment Agency of the City of Ridgecrest
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009**



A few of the Redevelopment Agency highlights for Fiscal Year 2008-09 include the following:

- ❖ The Naval Station China Lake has completed its BRAC Business Plan and begun over 250 million dollar construction improvements along with over ten new projects currently in construction. The Business Plan also included the movement of 1,000 billets (jobs) to the Ridgecrest Area.
- ❖ The Ridgecrest Business Park has seen the completion of the Spring Hill Suites and Office Building, and the start of construction of the Hampton Inn and Office Development. Two office developments, Doctor Tareli Medical Building and Packwrap, are currently in the planning, construction and building approval process.
- ❖ New developments within the park are being planned for 2010-2011. A lighting and landscape district will be founded in 2010.
- ❖ The agency has continued its Assistance to Local Organizations such as RCVB and Ridgecrest Chamber of Commerce in their efforts to expand tourism within the community.
- ❖ Super Wal-Mart is due to begin construction sometime in 2010-2011 of a 225,000 square foot store.
- ❖ The agency has continued to provide both financial assistance and technical support to the City's Ridgecrest Downtown Association in its efforts to market and redevelop the Ridgecrest Downtown area.
- ❖ The agency continues its current low income Down Payment Assistance Loan Program in 2010 as well as begin the process of working with private developers interested in developing mix income apartments developments within the agency boundaries.
- ❖ The agency will provide support for transportation related issues along major retail corridors.
- ❖ The agency will continue its ongoing program to aid the start up of small business and the expansion of existing businesses within the project area.
- ❖ The agency will continue to provide assistance for the completion of ongoing projects along China Lake Blvd retail corridor in 2010.
- ❖ The agency continues to work towards bringing new solar power generation plants and their related jobs to the project area.
- ❖ A 96 unit housing project, Larkspur Apartments, was completed in 2008-09 funded through tax credits.

**Redevelopment Agency of the City of Ridgecrest
Management's Discussion and Analysis, Continued
For the year ended June 30, 2009**



REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Agency'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 information should be addressed to the City of Ridgecrest, Finance Department, 100 W. California Ave., Ridgecrest, California 93555.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Ridgecrest Redevelopment Agency
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 18,597,988
Cash and investments with fiscal agent	1,056,478
Accounts receivable	843,488
Interest receivable	30,565
Total current assets	<u>20,528,519</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	1,708,419
Depreciable	12,092,609
Total capital assets	<u>13,801,028</u>
Less accumulated depreciation	<u>(7,987,780)</u>
Capital assets, net	<u>5,813,248</u>
Total noncurrent assets	<u>5,813,248</u>
Total assets	<u>26,341,767</u>
LIABILITIES	
Current liabilities:	
Accounts payable	27,093
Salaries payable	6,083
Deposits payable	2,500
Long-term debt, due within one year	615,000
Total current liabilities	<u>650,676</u>
Long-term liabilities:	
Advances from City of Ridgecrest	8,619,159
Long-term debt, due in more than one year	7,290,000
Total long-term liabilities	<u>15,909,159</u>
Total liabilities	<u>16,559,835</u>
NET ASSETS	
Invested in capital assets	<u>5,813,248</u>
Restricted for:	
Special projects	4,323,015
Debt service	11,097,410
Capital projects	4,171,122
Total restricted	<u>19,591,547</u>
Unrestricted (deficit)	<u>(15,622,863)</u>
Total net assets (deficit)	<u>\$ 9,781,932</u>

See accompanying Notes to Basic Financial Statements.

Ridgecrest Redevelopment Agency
Statement of Activities and Changes in Net Assets
June 30, 2009

Functions/Programs	Expenses	Net (Expense) Revenue and Change in Net Assets Governmental Activities
Primary government:		
Governmental activities:		
Community development	\$ 1,729,794	\$ (1,729,794)
Interest and fiscal agent fees on long term debt	495,113	(495,113)
Total governmental activities	\$ 2,224,907	(2,224,907)
General revenues:		
Property taxes		7,941,697
Investment earnings		204,937
Miscellaneous		660,217
Transfers to City of Ridgecrest		(1,363,004)
Total general revenues and transfers		7,443,847
Change in net assets		5,218,940
Net assets - beginning of year		4,562,992
Net assets - end of year		\$ 9,781,932

See accompanying Notes to Basic Financial Statements.

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Ridgecrest Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds			
	Housing Set-Aside Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,892,235	\$ 9,522,845	\$ 4,182,908	\$ 18,597,988
Cash and investments with fiscal agent	-	1,056,478	-	1,056,478
Accounts receivable	322,401	521,087	-	843,488
Interest receivable	16,687	-	13,878	30,565
Total assets	\$ 5,231,323	\$ 11,100,410	\$ 4,196,786	\$ 20,528,519
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,382	\$ 3,000	\$ 19,711	\$ 27,093
Salaries payable	2,630	-	3,453	6,083
Deposits payable	-	-	2,500	2,500
Deferred revenue	322,401	-	-	322,401
Advances from City of Ridgecrest	-	8,619,159	-	8,619,159
Total liabilities	329,413	8,622,159	25,664	8,977,236
Fund Balances:				
Reserved for:				
Encumbrances	-	-	19,002	19,002
Debt service	578,895	-	-	578,895
Capital projects	-	-	1,296,697	1,296,697
Total reserved	578,895	-	1,315,699	1,894,594
Unreserved, designated for:				
RRA land sale proceeds	-	-	1,516,953	1,516,953
Kern County projects	-	-	818,247	818,247
Total unreserved, designated	-	-	2,335,200	2,335,200
Unreserved, undesignated for:				
Special revenue	4,323,015	-	-	4,323,015
Debt service	-	2,478,251	-	2,478,251
Capital projects	-	-	520,223	520,223
Total unreserved, undesignated	4,323,015	2,478,251	520,223	7,321,489
Total fund balances	4,901,910	2,478,251	4,171,122	11,551,283
Total liabilities and fund balances	\$ 5,231,323	\$ 11,100,410	\$ 4,196,786	\$ 20,528,519

See accompanying Notes to Basic Financial Statements.

Ridgecrest Redevelopment Agency
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009

Total Fund Balances - Total Governmental Funds	<u>\$ 11,551,283</u>
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Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not financial resources and therefore were not reported in the governmental funds.

Nondepreciable	1,708,419
Depreciable	12,092,609
Less accumulated depreciation	<u>(7,987,780)</u>
	<u>5,813,248</u>

Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.

Long-term debt, due within one year	(615,000)
Long-term debt, due in more than one year	<u>(7,290,000)</u>
	<u>(7,905,000)</u>

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are recognized as revenues in the Government-Wide Financial Statements.

	<u>322,401</u>
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Net Assets of Governmental Activities	<u><u>\$ 9,781,932</u></u>
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Ridgecrest Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	Major Funds			Total Governmental Funds
	Housing Set-Aside Special Revenue	Debt Service	Capital Projects	
REVENUES:				
Taxes	\$ -	\$ 7,697,181	\$ -	\$ 7,697,181
Intergovernmental	-	244,516	-	244,516
Use of money and property	99,042	17,305	88,590	204,937
Other revenue	12,544	-	785,276	797,820
Total revenues	111,586	7,959,002	873,866	8,944,454
EXPENDITURES:				
Current:				
Community development	301,702	35,275	997,597	1,334,574
Debt service:				
Principal	-	585,000	-	585,000
Interest	-	495,113	-	495,113
Total expenditures	301,702	1,115,388	997,597	2,414,687
REVENUES OVER (UNDER) EXPENDITURES	(190,116)	6,843,614	(123,731)	6,529,767
OTHER FINANCING SOURCES (USES):				
Transfers in	2,030,735	577,875	2,173,759	4,782,369
Transfers out	(659,247)	(4,597,626)	(888,500)	(6,145,373)
Total other financing sources (uses)	1,371,488	(4,019,751)	1,285,259	(1,363,004)
Change in fund balances	1,181,372	2,823,863	1,161,528	5,166,763
FUND BALANCES:				
Beginning of year	3,720,538	(345,612)	3,009,594	6,384,520
End of year	\$ 4,901,910	\$ 2,478,251	\$ 4,171,122	\$ 11,551,283

See accompanying Notes to Basic Financial Statements.

Ridgecrest Redevelopment Agency

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 5,166,763

Amounts reported for governmental activities in the Statement of Activities were different because:

Capital outlay expenditures were included in the Statement of Revenues, Expenditures, and Changes in Fund Balances through out various departments. However, the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. 50,978

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds. (382,042)

Proceeds from sale of property provided current financial resources to governmental funds, but sale of property decreased capital assets on Government-Wide State of Net Assets. (64,156)

Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets. This is the amount of principal repayments.

Repayment of principal 585,000

Revenues in the statement of activities that did not provide current financial resources and were not reported as revenues in the funds. (137,603)

Change in Net Assets of Governmental Activities \$ 5,218,940

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Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest, California (City), have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applies to government unit. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

A. Financial Reporting Entity

The Agency was established in June 1986, as set forth in the Health and Safety Code of the State of California. The primary purpose of the Agency is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. The City Council members or designees serve as the governing board of the Agency. All accounting and administration functions are performed by the City.

The Agency meets the criteria set forth in generally accepted accounting principles for inclusion as a blended component unit within the City's reporting entity based on the City's oversight responsibility in selection of the governing board. In addition, all of the Agency's activities are conducted within the geographic boundaries of the City. Blended component units, although legally separate entities are, in substance, part of the City's operation; therefore, data from these units are combined with data of the primary government in the financial statement presentation of the City.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency.

These Government -Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

Certain types of transactions are reported as program revenues for the Agency in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

The Agency had no program revenues for the year ended June 30, 2009.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. The following interfund activities have been eliminated:

- Transfers in/out

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The Agency has presented all funds as major funds.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

C. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency’s policy is to apply restricted net assets first.

D. Cash, Cash Equivalents and Investments

The City pools cash resources from all funds in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these investments are subject to market risk as to change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Agency and are presented as “Cash and Investments” in the accompanying component unit financial statements.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments, Continued

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosure (an amendment of GASB Statement No.3)*, the Agency adheres to certain disclosure requirements, if applicable, for deposit and investment risks are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentration of Credit Risk
- Foreign Currency Risk

E. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g. road, sidewalks, and similar items), are reported in the applicable governmental activities in the Government-Wide Financial Statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. Agency policy has set the capitalization threshold for reporting infrastructure at \$100,000; all other capital assets are set at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and improvements	15-50 years
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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The Agency did not have any infrastructure capital assets at June 30, 2009.

F. Long-Term Liabilities

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Net Assets

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets (Deficit) - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

H. Fund Balances - Reservations and Designations

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are available for appropriations or are legally restricted by outside parties for use for a specific purpose. Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws that require a portion of the fund equity be segregated, or identify the portion of the fund equity not available for future expenditures. Designations of fund balances represent tentative management plans that are subject to change.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or service rendered. These receivables and payable are classified as "due from other funds" or "due to other funds" on the balance sheet.

Quasi-external transactions are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Implementation of New GASB Pronouncements

In fiscal year 2008-2009, the Agency adopted the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowment*
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments. Statement No. 56 guidance addresses three issues from the AICPA's literature – related party transactions, going concern considerations, and subsequent events.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2009:

	Government-Wide Statement of Net Assets
	<u>Governmental Activities</u>
Cash and investments	\$ 18,597,988
Restricted cash and investments	<u>1,056,478</u>
Total	<u>\$ 19,654,466</u>

Cash and investments consisted of \$18,597,988 for operation and \$1,056,478 as restricted with fiscal agent at June 30, 2009. The Agency follows the practice of pooling cash and investments with the City for all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the average monthly invested cash balance in each participating fund.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

- Securities of the U.S. Government or its agencies.
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies.
- Negotiable Certificates of Deposit.
- California Local Agency Investment Fund.
- Investment-grade obligations of state, local governments or public authorities.
- Money market mutual funds.
- Passbook savings account and demand deposits.

The City has complied with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*. No current adjustments have been made to the accompanying basic financial statements because the City's investments were primarily in the State of California Local Agency Investment Fund and the fair value adjustment was immaterial.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

External Investment Pool

The Agency's investments with Local Agency Investment Fund (LAIF) at June 30, 2009, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- ◆ Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- ◆ Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2009, the Agency had \$8,132,250 invested in LAIF which had invested 14.71% of the pool investment funds in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities.

Risk Disclosures

At June 30, 2009, all cash and investments of the Agency were pooled with the City and they are not represented by specific, identifiable investment securities. Investment policies and associated risk disclosures applicable to the Agency's funds are those of the City and are included in the City's basic financial statements.

3. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Land	\$ 1,721,597	\$ 50,978	\$ (64,156)	\$ 1,708,419
Buildings and improvements	12,092,609	-	-	12,092,609
	13,814,206	50,978	(64,156)	13,801,028
Less accumulated depreciation	(7,605,738)	(382,042)	-	(7,987,780)
Total governmental activities	\$ 6,208,468	\$ (331,064)	\$ (64,156)	\$ 5,813,248

Governmental activities depreciation expense for capital assets for the year ended June 30, 2009 was \$382,042.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

3. CAPITAL ASSETS, Continued

B. Fund Financial Statements

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

4. ADVANCES FROM THE CITY OF RIDGECREST

The following is a summary of Advances from the City of Ridgecrest for governmental activities:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Wastewater Enterprise Fund Loan	\$ 800,000	\$ -	\$ (200,000)	\$ 600,000
2005 Refunding Certificates of Participation	8,379,159	-	(360,000)	8,019,159
	<u>\$ 9,179,159</u>	<u>\$ -</u>	<u>\$ (560,000)</u>	<u>\$ 8,619,159</u>

Wastewater Enterprise Fund Loan

On June 19, 2002, the Wastewater Enterprise Fund loaned the Ridgecrest Redevelopment Agency Debt Service Fund \$2,000,000 for purposes of paying costs and expenses in connection with implementing the Redevelopment plan. The loan is to be repaid over 10 years with the annual principal payment of \$200,000. The amount outstanding at June 30, 2009 was \$600,000.

The annual requirements to amortize the note are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 200,000	\$ 30,000	\$ 230,000
2011	200,000	20,000	220,000
2012	200,000	10,000	210,000
Total	<u>\$ 600,000</u>	<u>\$ 60,000</u>	<u>\$ 660,000</u>

2005 Refunding Certificates of Participation

On November 22, 2005, the City issued Refunding Certificates of Participation in the amount of \$10,275,000. The Refunding Certificates of Participation represents undivided fractional interest to the owners in the lease payments (both principal and interest) to be made by the City for the right to use certain real property and improvements constituting the City's Civic Center pursuant to the Lease Agreement dated November 1, 2005 by and between the City, as a lessee and the Agency as the lessor.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

4. ADVANCES FROM THE CITY OF RIDGECREST, Continued

2005 Refunding Certificates of Participation, Continued

The City and the Agency have entered into a reimbursement agreement dated as of November 1, 2005, pursuant to which the Agency has agreed to reimburse the City for all Lease payments. The Agency's reimbursement obligation is secured by a pledge of certain tax increment revenues arising in the Agency's Ridgecrest Redevelopment Project. Certain outstanding and future bonds of the Agency have or may have a claim on tax increment revenues that is senior to the Agency's reimbursement obligation under the Reimbursement Agreement. The amount outstanding at June 30, 2009 was \$8,019,159.

5. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2009:

	Balance			Balance	Due within	Due in more
	June 30, 2008	Additions	Deletions	June 30, 2009	one year	than one year
1999 Refunding Tax Allocation Bonds	\$ 6,385,000	\$ -	\$ (205,000)	\$ 6,180,000	\$ 215,000	\$ 5,965,000
2002 Tax Allocation Refunding Bonds	2,105,000	-	(380,000)	1,725,000	400,000	1,325,000
Total	\$ 8,490,000	\$ -	\$ (585,000)	\$ 7,905,000	\$ 615,000	\$ 7,290,000

1999 Refunding Tax Allocation Bonds

The Agency issued its Ridgecrest Redevelopment Project 1999 Refunding Tax Allocation Bonds to provide funds to refund the 1990 and 1991 Tax Allocation Bonds of the Agency, to fund a debt service reserve account and to pay the costs of issuing the bonds.

The Agency has pledged a portion of future property tax revenue to repay the 1999 Refunding Tax Allocation Bonds. Annual principal and interest payments on the bonds are expected to require 12% of total property tax increment revenues. Total principal and interest remaining on the bond is \$10,029,095, payable through 2026.

The annual debt service requirements are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2010	\$ 215,000	\$ 382,435	\$ 597,435
2011	230,000	370,288	600,288
2012	245,000	356,488	601,488
2013	260,000	341,788	601,788
2014	275,000	163,094	438,094
2015-2019	1,640,000	1,355,626	2,995,626
2020-2024	2,220,000	775,626	2,995,626
2025-2026	1,095,000	103,750	1,198,750
Total	\$ 6,180,000	\$ 3,849,095	\$ 10,029,095

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

5. LONG-TERM DEBT, Continued

2002 Tax Allocation Refunding Bonds

Proceeds from the \$4,475,000 2002 Tax Allocation Refunding Bonds were issued to refund the 1993 Tax Allocation Refunding Bonds. The present value amount saved due to this refunding is \$153,489. The new bonds issued are due in annual installments ranging from \$310,000 to \$465,000 through June 30, 2013. Interest rates range from 2% to 5% and is paid semi-annually.

The Agency has pledged a portion of future property tax revenue to repay the 2002 Tax Allocation Refunding Bonds. Annual principal and interest payments on the bonds are expected to require 10% of total property tax increment revenues. Total principal and interest remaining on the bond is \$1,942,900, payable through 2013.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 400,000	\$ 84,200	\$ 484,200
2011	420,000	65,200	485,200
2012	440,000	45,250	485,250
2013	465,000	23,250	488,250
Total	\$ 1,725,000	\$ 217,900	\$ 1,942,900

6. PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

The City contributes to the California Public Employee's Retirement System (PERS). PERS acts as a common investment and administrative agency for participating public entities within the State of California. The Agency's employees are covered under this plan as well. A more detailed disclosure of the pension plan may be found in the audited financial statements for the City as of June 30, 2009. These financial statements may be obtained from 100 W. California Avenue Ridgecrest, California 93555.

7. DEFICIT NET ASSETS AND FUND BALANCES

At June 30, 2009, the Agency had a deficit balance in its government-wide unrestricted net assets in the amount of \$(16,201,758). The deficit was due to long-term debt and advances from the City in excess of all assets owned by the Agency. The Agency issued debt for redevelopment projects and the debt will be repaid by the future property tax increments.

Ridgecrest Redevelopment Agency
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2009

8. EXCESS EXPENDITURES OVER APPROPRIATION

For the year ended June 30, 2009, expenditures exceeded appropriations in the following fund:

Debt Service Fund	<u>\$ (863,635)</u>
-------------------	---------------------

Excess revenues and/or use of available fund balances generally funded the excess expenditures.

9. COMMITMENTS AND CONTINGENCIES

Lawsuits - The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Agency. Additionally, Agency management believes that the Agency's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

As of June 30, 2009, in the opinion of Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the Agency.

10. SUBSEQUENT EVENTS

Subsequent to the financial statements date of June 30, 2009, the State of California (State) enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The estimated impact on the Redevelopment Agency is \$2,590,729 in 2009-2010 and \$533,385 in 2010-2011. These amounts were assumed in the 2009-2011 Budget. This takeaway action is being litigated by the California Redevelopment Association and other parties with hope that it will be considered unconstitutional as was last year's State proposed takeaway.

REQUIRED SUPPLEMENTARY INFORMATION

Ridgecrest Redevelopment Agency
Required Supplementary Information
For the year ended June 30, 2009

1. BUDGETARY INFORMATION

The Agency is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the “annual appropriated budget.”

The Governing Board may amend the budget by motion during the fiscal year.

Expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at the end of the fiscal year and are added to the following year’s budgeted appropriations.

Budget information is presented for the governmental fund types on a basis consistent with generally accepted accounting principles. Budgeted revenue and expenditure amounts represent the original budget modified for adjustments during the year.

Budget Comparison Schedule, Housing Set-Aside Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2008	<u>\$ 2,380,138</u>	<u>\$ 2,381,717</u>	<u>\$ 3,720,538</u>	<u>\$ 1,338,821</u>
Resources (inflows):				
Use of money and property	100,000	100,000	99,042	(958)
Other revenues	-	-	12,544	12,544
Transfers in	<u>1,200,000</u>	<u>1,200,000</u>	<u>2,030,735</u>	<u>830,735</u>
Amount available for appropriation	<u>1,300,000</u>	<u>1,300,000</u>	<u>2,142,321</u>	<u>842,321</u>
Charges to appropriations (outflows):				
Community development	631,679	668,037	301,702	366,335
Transfers out	<u>652,425</u>	<u>652,425</u>	<u>659,247</u>	<u>(6,822)</u>
Total charges to appropriations	<u>1,284,104</u>	<u>1,320,462</u>	<u>960,949</u>	<u>359,513</u>
Excess of resources over (under) charges to appropriations	<u>15,896</u>	<u>(20,462)</u>	<u>1,181,372</u>	<u>1,201,834</u>
Fund balance, June 30, 2009	<u><u>\$ 2,396,034</u></u>	<u><u>\$ 2,361,255</u></u>	<u><u>\$ 4,901,910</u></u>	<u><u>\$ 2,540,655</u></u>

SUPPLEMENTARY INFORMATION

Ridgecrest Redevelopment Agency
Supplementary Information
For the year ended June 30, 2009

Budget Comparison Schedule - Debt Service Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2008	\$ (4,734,690)	\$ (4,714,390)	\$ (345,612)	\$ 4,368,778
Resources (inflows):				
Taxes	5,740,000	5,740,000	7,697,181	1,957,181
Intergovernmental	240,000	240,000	244,516	4,516
Use of money and property	5,000	5,000	17,305	12,305
Transfers in	577,000	577,000	577,875	875
Amount available for appropriation	6,562,000	6,562,000	8,536,877	1,974,877
Charges to appropriations (outflows):				
Community Development	1,308,213	1,308,213	35,275	1,272,938
Debt service:				
Principal	-	-	585,000	(585,000)
Interest	-	-	495,113	(495,113)
Transfers out	3,538,320	3,541,166	4,597,626	(1,056,460)
Total charges to appropriations	4,846,533	4,849,379	5,713,014	(863,635)
Excess of resources over (under) charges to appropriations	1,715,467	1,712,621	2,823,863	1,111,242
Fund balance, June 30, 2009	\$ (3,019,223)	\$ (3,001,769)	\$ 2,478,251	\$ 5,480,020

Ridgecrest Redevelopment Agency
Supplementary Information, Continued
For the year ended June 30, 2009

Budget Comparison Schedule - Capital Projects Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2008	<u>\$ 1,359,209</u>	<u>\$ 2,305,860</u>	<u>\$ 3,009,594</u>	<u>\$ 703,734</u>
Resources (inflows):				
Use of money and property	145,000	145,000	88,590	(56,410)
Other revenue	478,740	478,740	785,276	306,536
Transfers In	<u>1,411,340</u>	<u>1,411,340</u>	<u>2,173,759</u>	<u>762,419</u>
Amount available for appropriation	<u>2,035,080</u>	<u>2,035,080</u>	<u>3,047,625</u>	<u>1,012,545</u>
Charges to appropriations (outflows):				
Community Development	1,258,021	1,800,850	946,619	854,231
Capital Outlay	-	-	50,978	(50,978)
Transfers out	<u>2,783,710</u>	<u>1,880,135</u>	<u>888,500</u>	<u>991,635</u>
Total charges to appropriations	<u>4,041,731</u>	<u>3,680,985</u>	<u>1,886,097</u>	<u>1,794,888</u>
Excess of resources over (under) charges to appropriations	<u>(2,006,651)</u>	<u>(1,645,905)</u>	<u>1,161,528</u>	<u>2,807,433</u>
Fund balance, June 30, 2009	<u>\$ (647,442)</u>	<u>\$ 659,955</u>	<u>\$ 4,171,122</u>	<u>\$ 3,511,167</u>

RPA

CAPITAL ASSETS

Ridgecrest Redevelopment Agency
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source*
June 30, 2009

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 1,708,419
Buildings and improvements	<u>12,092,609</u>
Total governmental funds capital assets	<u>13,801,028</u>
Accumulated depreciation	<u>(7,987,780)</u>
Total governmental funds capital assets, net	<u><u>\$ 5,813,248</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

Special revenue funds	\$ 13,801,028
Total governmental funds capital assets	<u>13,801,028</u>
Accumulated depreciation	<u>(7,987,780)</u>
Total governmental funds capital assets, net	<u><u>\$ 5,813,248</u></u>

* This schedule presents only the capital asset balances related to governmental funds.

Ridgecrest Redevelopment Agency
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity*
June 30, 2009

	Land	Buildings and Improvements	Total
GOVERNMENTAL FUNDS CAPITAL ASSETS:			
Community development	\$ 1,708,419	\$ 12,092,609	\$ 13,801,028
Total governmental funds capital assets	1,708,419	12,092,609	13,801,028
Accumulated depreciation	-	(7,987,780)	(7,987,780)
Total governmental funds capital assets, net	\$ 1,708,419	\$ 4,104,829	\$ 5,813,248

* This schedule presents only the capital asset balances related to governmental funds.

Ridgecrest Redevelopment Agency
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity*
For the year ended June 30, 2009

	Balance June 30, 2008	Additions	Retirements or Transfers	Balance June 30, 2009
FUNCTION AND ACTIVITY:				
Community development	\$ 13,814,206	\$ 50,978	\$ (64,156)	\$ 13,801,028
Total governmental funds capital assets	13,814,206	50,978	(64,156)	13,801,028
Accumulated depreciation	(7,605,738)	(382,042)	-	(7,987,780)
Total governmental funds capital assets, net	\$ 6,208,468	\$ (382,042)	\$ -	\$ 5,813,248

* This schedule presents only the capital asset balances related to governmental funds.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Governing Board
of the Ridgecrest Redevelopment Agency
Ridgecrest, California

We have audited the financial statements of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest, California (City), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's basic financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Members of the Governing Board
of the Ridgecrest Redevelopment Agency
Ridgecrest, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, the Board of Directors of the Agency, others within the entity, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



San Diego, California
December 21, 2009

Ridgecrest Redevelopment Agency
Schedule of Findings and Questioned Costs
For the year ended June 30, 2009

A. CURRENT YEAR FINDINGS AND QUESTIONED COSTS

No findings were noted for the year ended June 30, 2009.

B. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

No findings were noted for the year ended June 30, 2008.