



City of Ridgecrest

Ridgecrest, California



*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005*



City of Ridgecrest, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2005

Prepared by:

Administrative Services Department

Finance Division

100 W. California

Ridgecrest, CA 93555

J.C. Winegardner, Deputy City Manager/City Treasurer

June 30, 2005

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

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City of Ridgecrest
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Introductory Section





December 20, 2005

**Honorable Mayor, City Council and
Citizens of the City of Ridgecrest:**

Attached herein we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Ridgecrest, California (City) for the fiscal year ended June 30, 2005. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ridgecrest for its comprehensive annual financial report for the fiscal year ended June, 30, 2004. This was the first year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA as well as to the California Society of Municipal Finance Officers (CSMFO) to determine its eligibility for another certificate by both the GFOA and the CSMFO.

The primary purpose in providing this report is to inform the Mayor and City Council of all financial and administrative activities of the previous fiscal year. In addition, this report is directed to two other groups: the citizens of Ridgecrest and the financial community. At this juncture, we also note that the City of Ridgecrest's credit rating has recently been upgraded to A- by Standard & Poors. For the citizens, the report provides an opportunity to correlate City services and accomplishments with the expenditure of financial resources. For the financial community, this report provides information necessary to evaluate financial practices of the City, assure their soundness in accordance with GAAP, and determine the financial capacity of the City to incur and service debt for long-range capital planning.

Responsibility for the accuracy of the data presented and completeness and fairness of the presentation, including disclosures, rests with the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, i.e., 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 in the financial section of the CAFR.

PROFILE OF THE CITY OF RIDGECREST

The City of Ridgecrest, incorporated in 1963, Ridgecrest is located in the southern portion of the Indian Wells Valley and in the northeast corner of Kern County, surrounded by four mountain ranges; the Sierra Nevada on the west, the Cosos on the north, the Argus Range on the east, and the El Paso Mountains on the south. It is approximately an hour and quarter from the Lancaster/Palmdale area and approximately two hours from both Bakersfield and San Bernardino. A favorable characteristic of the City is its proximity to two major highways, the 395 and 14. Air travel in and out of the city is provided through the Inyokern Airport. These attributes make Ridgecrest, a central location for shopping and business for the Eastern Kern County area. Ridgecrest is also easily accessible to the rest of southern California making it an ideal location for industry.

Ridgecrest evolved into a growing and dynamic city during the 1950's and 1960's as a support community, vital to the mission of the Navy, by providing housing and services for Federal employees and contractors. Ridgecrest incorporated in 1963 and now provides shopping for over 40,000 people throughout the Indian Well Valley.

China Lake Naval Weapons Center (NWC) and now the China Lake Naval Air Weapons Station (NAWS) is home to the Naval Air Warfare Center Weapons Division, which continues to be the major source of employment for Ridgecrest residents. The economic stability of Ridgecrest as service community for the NAWS has been essential to its successful emergence as a community in its own right. In addition, the same location characteristics that initially attracted the NAWS; growing space, clean air, good water, highway accessibility, easy access to multiple recreational opportunities, and proximity to Los Angeles and Bakersfield. Ridgecrest friendly business attitude continues to serve as an attraction for business to relocate to Ridgecrest and the Indian Wells Valley.

As the only incorporated community in the Indian Wells Valley, Ridgecrest boasts a thriving economy and a robust population of just at 27,000 people. Ridgecrest acts as the shopping and business center for northeastern Kern County.

The City provides a full range of municipal services. These include public safety; recreation and community services; parks; maintenance and improvement of streets and infrastructure; planning and zoning; housing; economic development; transit; and general government. The City also operates and maintains a waste water plant that serves not only the City residents but also provides service to the Naval Base. The annual budget serves as the foundation for the City's financial planning and control. The City Council is required to adopt an annual budget on or before June 30 of each year for the General Fund, Special Revenue Funds, Enterprise Funds, Capital Projects Fund and Internal Service Funds. The City also adopts a multi-year capital improvement program and a redevelopment agency budget.

The level of appropriated budgetary control is the total adopted budget, which is defined as the total budget for all funds and divisions, and includes all revisions and amendments approved by the City Council subsequent to the initial budget adoption. The City Manager may authorize transfers within each fund and between line items or programs within each department; however, supplemental appropriations and transfers between funds during the budget year must be approved by City Council by a majority vote. Unexpended or unencumbered appropriations expire at the end of the fiscal Year. Encumbered appropriations and appropriations related to grants and donations are re-appropriated in the ensuing year's budget by action of the City Council. The City utilizes an encumbrance system, whereby commitments such a purchase orders and unperformed contracts are recorded as reserved fund balances at year end.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook

Economic indicators have greatly improved in the last year with the expansion of the Naval Air Weapons Station, "NAWS" in China Lake. Over 2,000 civil jobs will be transferred to the station with an additional 3,000 jobs being generated as a result of new supporting military contractor and local business expansion. These new jobs are expected to generate from 12,500 to 15,000 new residents moving to the community. These new individuals will require new home construction with an estimated of 3,000 new housing units over the next 4 years.

Retail sales present a very good picture with the opening of several new large box retailers

With the passage of Proposition 1A brings the hope that the State not be able to take site of balancing its budget on the backs of the Cities throughout California. Additionally, the overall State budget revenues indicate that there might be hope for a reasonable budget process in Sacramento.

On a brighter note, since the late 1990s, real estate values have experienced a phenomenal revival. This trend began in the western portion of Kern County and has migrated east to Ridgecrest. Ridgecrest should continue to enjoy a solid property tax base.

Retail sales, also an indication of a strong local economy, continue to grow at a moderate rate. The second quarter of 2005 indicated an increase over 2004 of over 15% in retail sales.

Additionally, local construction permit activity continues to be robust. The following table summarizes local construction activity:

Year	Permits	Inspections	Valuation
1999	282	1,177	1.9 M
2000	400	1,241	2.6 M
2001	464	1,605	3.95 M
2002	509	2,014	9.9 M
2003	496	2,671	11.3 M
2004	473	2,039	16.3 M
2005	465	2,557	23.0 M

Economic Development

The city is fast becoming the regional retail center for Eastern Kern County with the introduction of several new big box retailers and its position as the third largest community in Kern County. Ridgecrest is well positioned to continue its retail expansion.

Other economic expansion has occurred in several sectors including defense with the expansion of China Lake's Naval Weapons Center, and the Ridgecrest Business Park with a new hotel, office and restaurants.

Ridgecrest continues its efforts to be a business friendly, pro-growth city through the development of fast-tracking planning and business processing. Key projects now being undertaken in 2004-2005 have seen:

- 250,000 sq. ft. Wal-Mart Super Center
- 14,5000 sq. ft. Rite-Aid Drug Store
- Marriott Hotel - - 24,000 sq. ft. office and 3,000 sq. ft. meeting space
- Re-use of several existing buildings
- Rehabilitation and expansion of Ridgecrest Regional Hospital
- Three (3) new medical office buildings in the Ridgecrest Business Park
- Fifteen (15) new Tentative Tract Maps representing over 1,000 new housing units

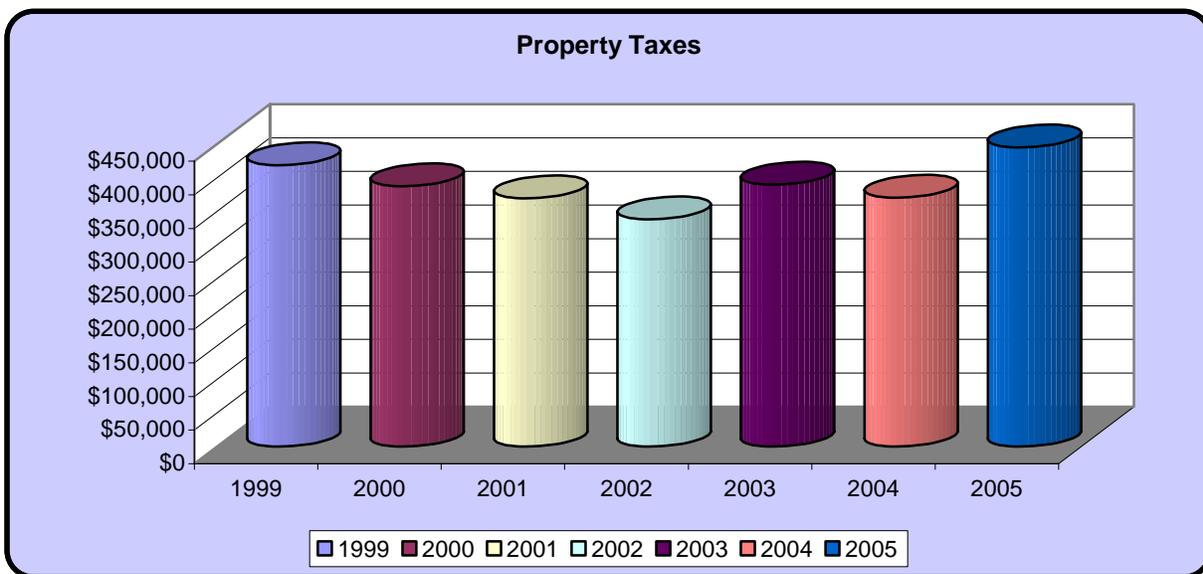
Keeping in mind the economic uncertainties mentioned earlier, the City Council has adopted a conservative budget for fiscal year 2005-2006. It recognizes negative impacts on revenues caused by the state of the economy and the Council’s own ongoing requirement for adequate reserves. The City’s budget has grown primarily due to increases in Workers’ Compensation cost, funding of Cultural Affairs, Recreation & Parks Maintenance Operations, PERS retirement cost, and the City Council’s desire to increase the level of funding for public safety. Additionally, the Council has directed several initiatives towards the transition of the anticipated increase in population related to the expansion caused by the Base Realignment and Closure (BRAC); this has fuel much of the anticipated economic development activity of the City and the Agency for fiscal year 2006.

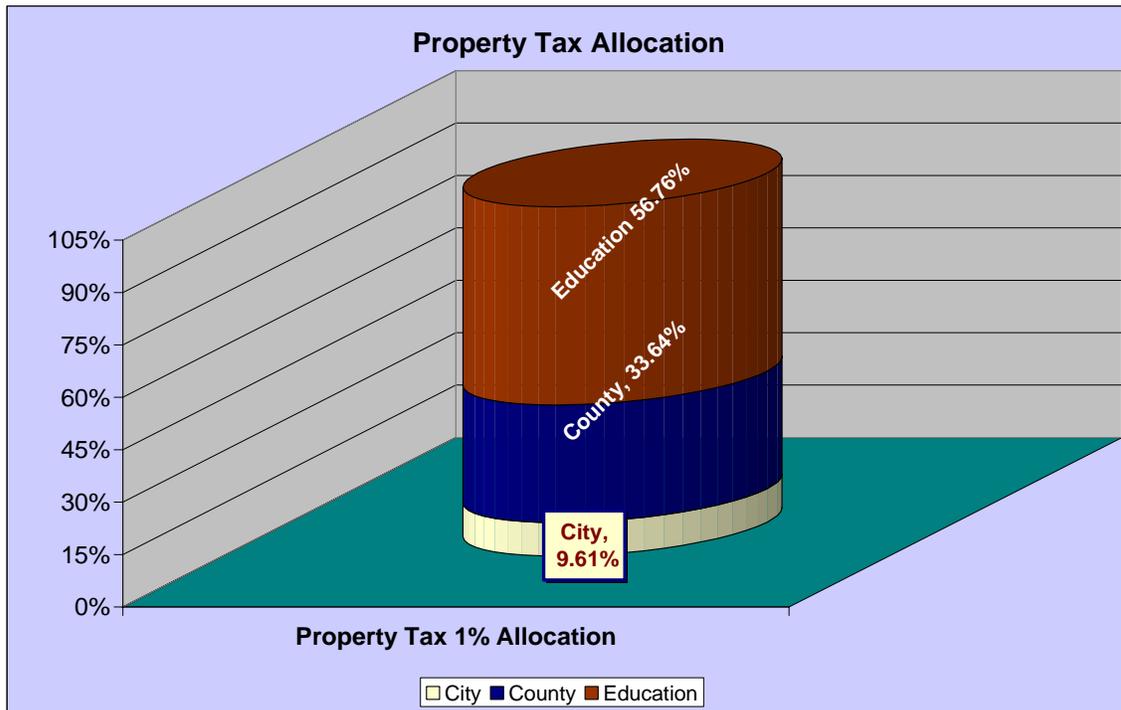
Even with these financially uncertain times, Ridgecrest is better off than most cities, experiencing growth in many of its major revenue categories. The City’s four largest revenue sources are property tax, sales tax, Vehicle License Fees, and transient occupancy tax. These major sources are discussed in more detail below.

Property Tax

Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the City. Property is assessed by the County Assessor at a tax rate of 1.0% of the assessed value. The City receives 9.6% of the tax rate from the County of Kern – Auditor/Controller’s Office.

Since the beginning of the millennium (FY 99-00) to fiscal year 2004-05, property taxes increase an average of 1.66%. This modest increase has been due changes during fiscal years 2002-03 and the current year. Beginning in Fiscal Year 2002-03 they climbed 15.28%, an indication of rising local property values as well as new development activity –in the current year property taxes increased 20.25% over the previous year. Even with the potential impacts of the unknown surrounding BRAC–prior to the early May announcement, Ridgecrest is experiencing increases in property tax due to the sale of real estate. If the trend continues of a shortage of housing in Southern California, prices and, therefore, property tax will be pushed even further upward.



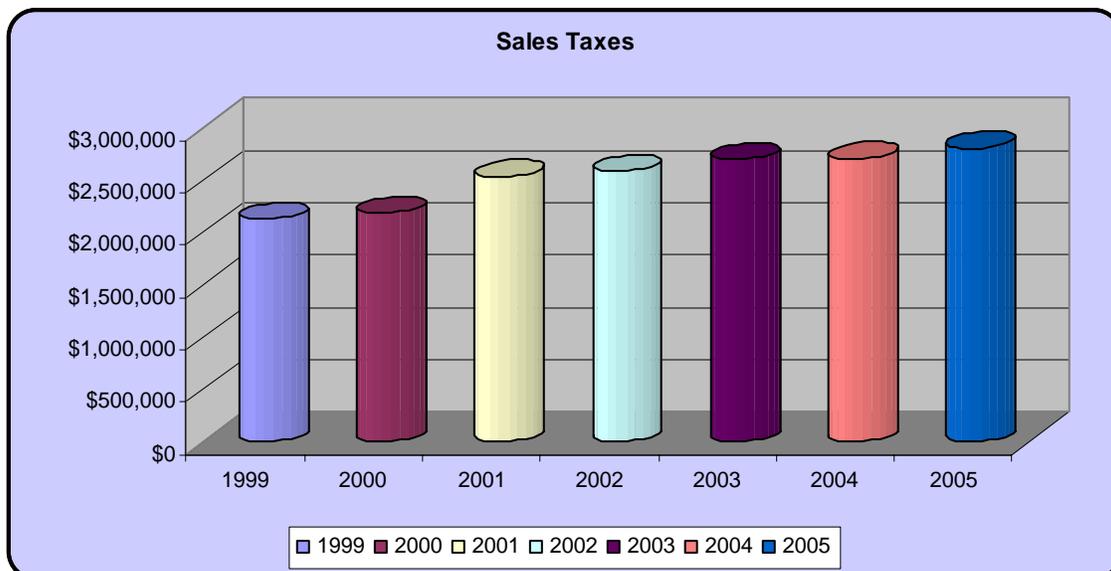


Sales Tax

The City's single largest revenue source is sales tax. The total sales tax in Kern County is 7.25% of the sale price of taxable goods and services sold at retail. Ridgecrest receives 1% of taxable sales from the State Board of Equalization.

Since prior to the beginning of the millennium (FY 1998-1999) sales tax has continued to rise an average of 4.82%.

The biggest concern for City Sales tax is the Sales Tax leakage to the metropolitan areas of Bakersfield and Lancaster-Palmdale. Even with significantly higher tax rates, a significant amount of local retail sales is spent outside of Ridgecrest. While there is an 18 month lag on new retail sales development due to Triple Flip, and recent announcement by the State Department of Finance has the City owing approximately \$91,000 on the prior year Triple Flip Advance, the local retail sales environment remains strong. The most recent sales tax report (second quarter of 2005) indicates growth of more than 15% over the same period for fiscal year 2004.



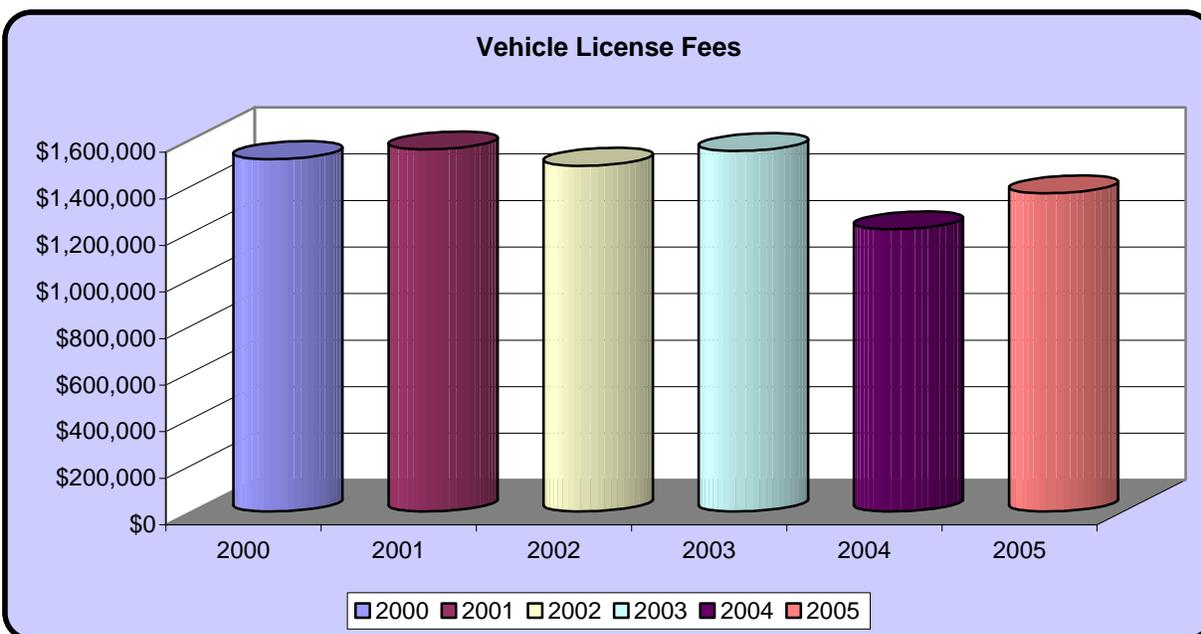
Vehicle License Fees

The second largest source of revenue to the City of Ridgecrest is Motor Vehicle in Lieu Fees. VLF, formerly local revenue, is collected by the State of California and apportioned based upon State Department of Finance "certified population". Beginning in fiscal year 1998, the State of California began to lower VLF registration fees with the assurance that the lost revenue would be backfilled from the State's General fund. This was fine as long as the State had the budget to provide local cities and counties. During the last three State budget cycles this revenue has been the target of State budget cuts, providing approximately \$4 billion statewide to local governments for the funding of police, street maintenance, parks and recreation as well as general city services.

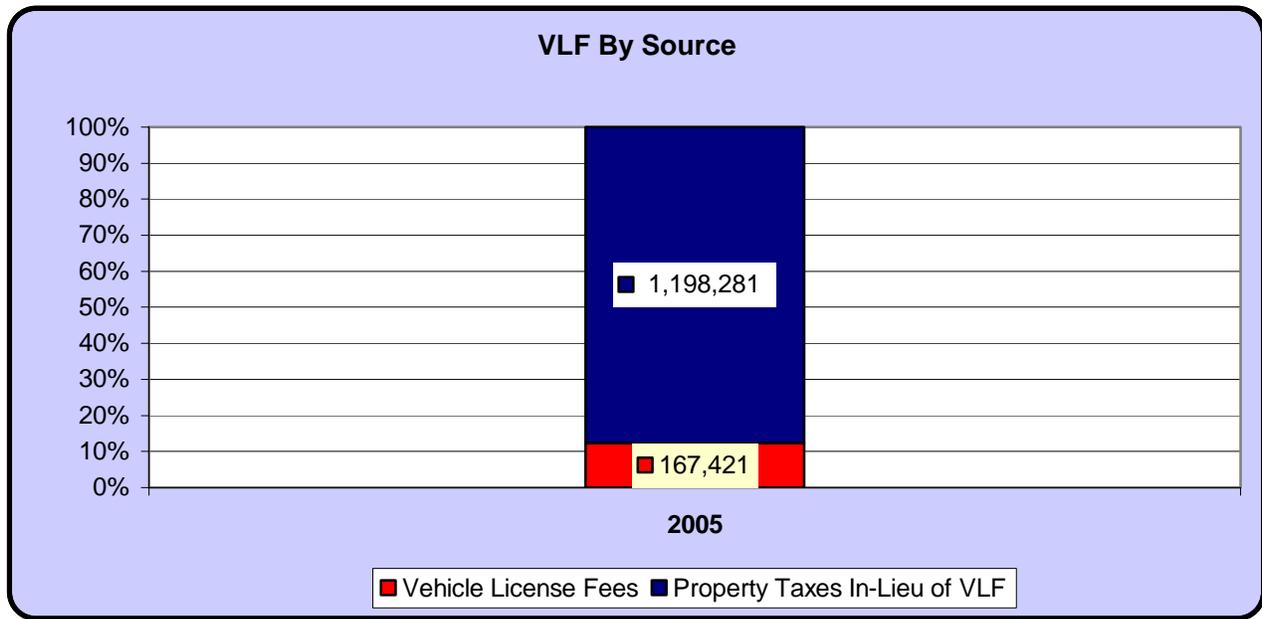
From the millennium through fiscal 2003 VLF has climbed an average of 3.53%. This growth provided a total of \$1.547 million to the City in Fiscal Year 2002-03. However, the State of California "borrowed" three months worth of VLF in Fiscal Year 2004, lowering the overall average since the millennium to a negative 1.52%. The average from the millennium through Fiscal Year 2005 has been 0.86%. There was increase over the prior year of 12.76%; due to the State "borrowing" of VLF in 2004 there was an overall decline in that year from the prior year of 21.73% bringing the five year average to its lowest point.

It should be noted that VLF funds now, like Sales Tax, have been split by the State into two pieces. These two pieces are the statutory rate and the "Property Tax In Lieu of VLF". In Fiscal Year 2005 the Statutory component (the rate by State law was reduced from 2.0% to 0.65%) brought to the Ridgecrest Treasury \$167,421. The Property Tax In-Lieu of VLF receipts totaled \$1,198,281.

Because the second component is paid like property taxes (December, May, and June) there has been a significant cash flow impact on Ridgecrest operations. Over the long term the Treasurer may be forced into the short-term debt market or to due inter-fund borrowing because of the impact of Triple Flip and VLF Property Tax Payments. The below chart indicates the growth of VLF and reflects VLF in 2005 in its aggregate - both the statutory component and the in-lieu component.



The following chart shows the relative share of the two components of VLF for Fiscal Year 2005:

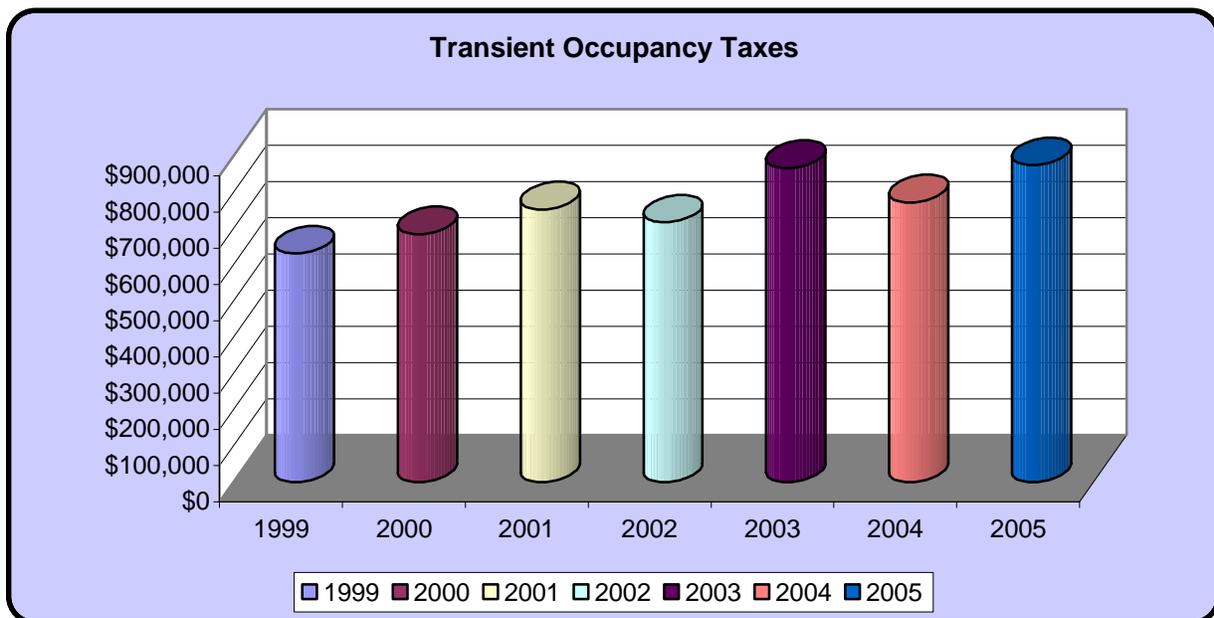


Transient Occupancy Tax

The City's fourth largest revenue source, transient occupancy tax (TOT) is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill. The total tax rate is 10%.

TOT collections provide funding for such economic development initiatives as the Ridgcrest Area Convention and Visitors Bureau (RACVB), the Chamber of Commerce, the City's Community and Economic Development program, as well as other city services.

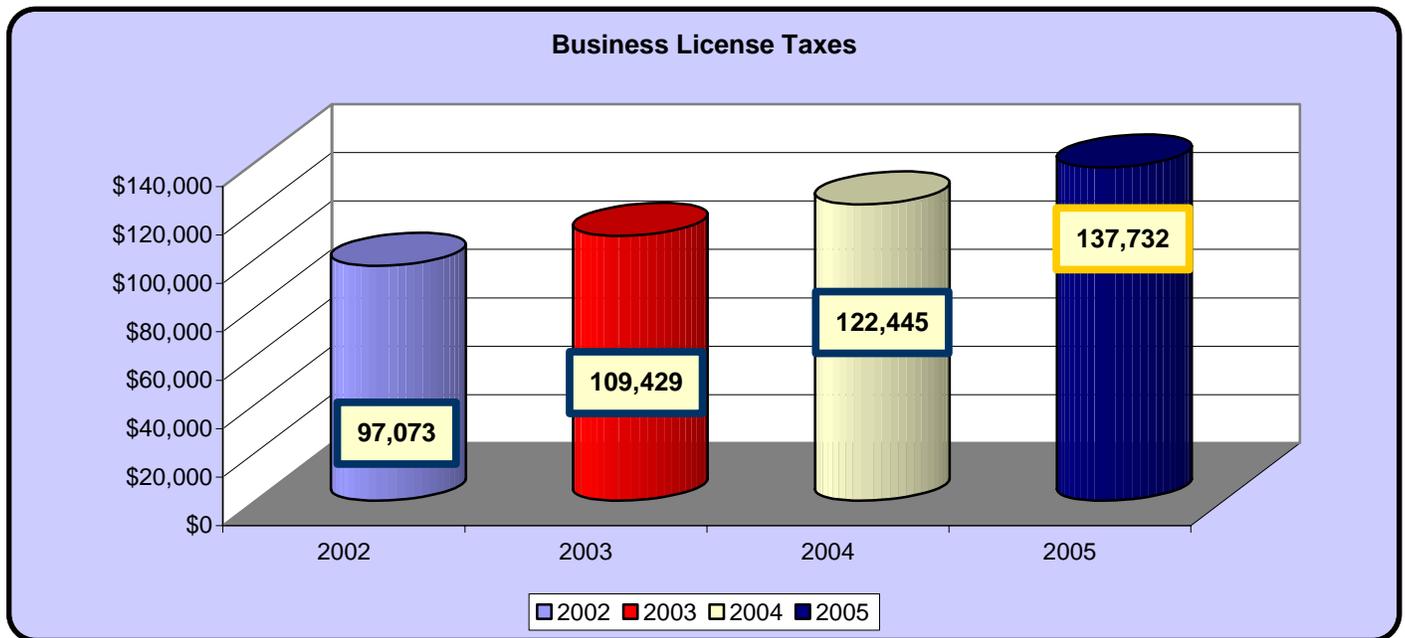
TOT has averaged 6.18% growth rate since Fiscal Year 1998-99. The largest single growth during that period was in the 2002-2003 fiscal year which saw a growth of 21%. During the last fiscal year TOT increased by 20.25%.



Business License Taxes

Another significant source of City revenue is the Business License Tax. This Tax is not regulatory in nature. It is based on unit count as opposed to the more common gross receipt ordinances by other cities throughout the state.

Beginning in Fiscal 2003 the Finance Department, now the Finance Division of the Administrative Services Department, took over once again the administration of the business license ordinance. Since that time due to more consistent enforcement overall revenue has climbed from \$97,000 in 2002 to over \$122,000 in 2004. This represented a change of 125% over the pervious year. Total collections in Fiscal Year 2005 once again increased to over \$137,000. Since Fiscal Year 2003 the average increase has been 12.37% per year.



CASH MANAGEMENT POLICIES AND PRACTICES

Under the direction of the City Treasurer, as directed by the City of Ridgecrest Municipal Code, cash temporarily idle during the year is invested as outlined in the City's investment policy. The investment policy is presented to the City Council on an annual basis for renewed approval.

With the exception of the funds that are required to be held in trust by bond indenture agreements, 100% of the City's idle cash is invested into one of three State of California Local Agency Investment Fund (LAIF) accounts. The trend of falling interest rates seen over the past few years has been reversed in the last year with rising interest rates.

All investments comply with State law and the City's Statement of Investment Policy, which is annually reviewed and approved by the City Council. The City Treasurer is required to submit a quarterly investment report to the City Council that provides a summary of the status of the current portfolio and material transactions entered into during the quarter.

*As required by GASB 31, the City recorded the "paper" or unrealized gain for the increase in market value of certain investments as of June 30, 2005.

The City's investments of \$18,838,800 with LAIF at June 30, 2005, included a portion of the pool funds invested in structured notes and asset-backed securities and similar transactions. This compares to \$16,962,456 at June 30, 2004 an approximate increase of 11%. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or state 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 pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

The City's LAIF investment was recorded at cost. The difference between fair value and cost is immaterial. The fair value is determined by multiplying the account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants total aggregate amortized cost by total aggregate fair value.

As of June 30, 2005, LAIF had invested 2.406% of the pool investments funds in Structured Notes and Asset-Backed Securities.

RISK MANAGEMENT

The City is a member of the PARSAC Risk Management Authority (Authority). The Authority is comprised of 35 California member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Each member city has a representative on the Board of Directors. Officers of the Authority are elected annually by the Board of Directors.

General Liability Insurance

Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$100,000 and pays 100% of all losses incurred under \$100,000. The City does not share or pay for losses of other cities under \$100,000. Losses of \$100,000 to \$10,000,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$1,000,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$10,000,000. This cost is also prorated on a payroll basis.

Workers' Compensation

The Workers' Compensation Program, implemented on July 1, 1990, provides statutory coverage for employee injuries arising out of and in the course of employment. PARSAC is self-insured to \$250,000 per occurrence. Losses in excess of \$250,000 are covered through the Local Agency Workers' Compensation Excess Pool (LAWCX). Losses in excess of \$500,000 per occurrence are covered through joint purchase of commercial insurance up to statutory limits. The S.I.R. is \$100,000 in the Workers' Compensation Program.

PARSAC is a joint powers authority for medium-sized California municipalities which have agreed to pool risks and losses. Each member's share of pooled costs depends on the losses of all members as well as the member's own loss experience. Both the worker's compensation and liability claims programs are managed by a third-party claims administrator under the direction of the Risk Management Division of the Finance Department and the Human Resources Division of the City Manager/Administration Department.

The amounts included in the Self-Insurance Program internal service fund are significant partly due to requirements of Government Accounting Standards Board (GASB) Statement No.10. In complying with GASB 10, the City must record as a liability and expenditure not only actual risk/loss experienced in the areas of workers' compensation and liability, but also claims incurred but not reported (IBNR). IBNR claims include exposure for losses that a city is not yet aware of, as well as any statistically probable increase in costs for accidents that are already known to the City. The appropriate amount to include on the financial statements for IBNR claims is typically developed by an actuary.

Workers' Compensation & Liability Claims

The following table reflects the IBNR Claims payable for the last three (3) fiscal years:

Year	IBNR
2003	214,651
2004	783,714
2005	413,816

Unemployment Insurance

The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department to provide salary continuance for employees who were terminated involuntarily. For fiscal year 2004-2005 the total cost reimbursed was \$42,580; this was down from the 2003-2004 reimbursed cost of \$54,375.

PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The City provides three defined benefit pension plans - two for safety employees (2% at 50 for Police) and one for miscellaneous employees (2% at 55). These plans are part of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. The City also contributes the employees' required contributions on their behalf and for their account.

Funding Policy - City employees are required by State statute to contribute 7% for miscellaneous employees and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account which amounted to \$169,441 for the year ended June 30, 2005. The City employer is required to contribute for fiscal year 2004-2005 at an actuarially determined rate; the current rate is 0% for miscellaneous employees and 9.786% for police employees of annual covered payroll. The contribution requirements of City employees and the City employer are established and may be amended by PERS. These rates are changing to 5.779% and 17.62% for miscellaneous and safety employees respectively in fiscal year 2005-2006.

Annual Pension Cost - For fiscal year 2004-2005, the City's annual pension cost of \$516,097 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases range from 3.25% to 14.45% for miscellaneous employees and 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2005 was 17 years for miscellaneous employees and 16 years for safety employees for prior and current service unfunded liability.

AWARDS

The City of Ridgecrest has prepared a Comprehensive Annual Financial report (CAFR). We submitted the CAFR to the California Society of Municipal Finance Officers (CSMFO) and were acknowledged by the receiving of the Outstanding Financial Reporting Award. We also submitted our Comprehensive Annual Financial Report to the GFOA for their review and received the Certificate of Achievement from the GFOA as previously noted.

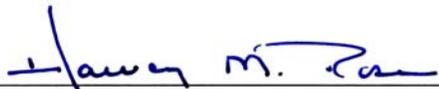
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement from the GFOA and the Certificate of Award for Outstanding Financial Reporting from the CSMFO are valid for a period of one year. In June of 2004, we also received the Certification of Excellence for our Investment Policy from the Association of Public Treasurers of the United States and Canada.

ACKNOWLEDGMENTS

The timely preparation of this report has been accomplished with the efficient and dedicated services of the entire staff of the Administrative Services Department. We specifically acknowledge the tireless efforts of the Finance Division's Accounting Manager, Tess Sloan, whose contribution has been significant in the production of this report. We also thank the City's independent auditors, Caporicci & Larson, for their assistance and expertise; and all City departments for their cooperation during the audit engagement and their participation in preparing this report. We would like to express our appreciation to the Mayor and City Council and the City Organization Committee for their interest and support in planning and conducting the City's financial affairs in a responsible and progressive manner.

Respectfully submitted,



Harvey M. Rose
City Manager/ Agency Executive Director



James C. Winegardner
Deputy City Manager/
City Treasurer/ Agency Treasurer

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ridgecrest,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zjelde

President

Jeffrey R. Enev

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

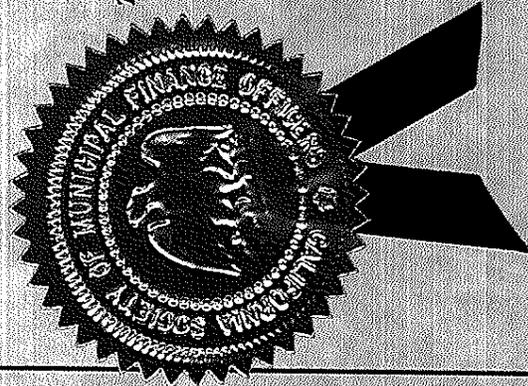
Outstanding Financial Reporting 2003-04

Presented to the

City of Ridgecrest

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

February 24, 2005



William A. Shand

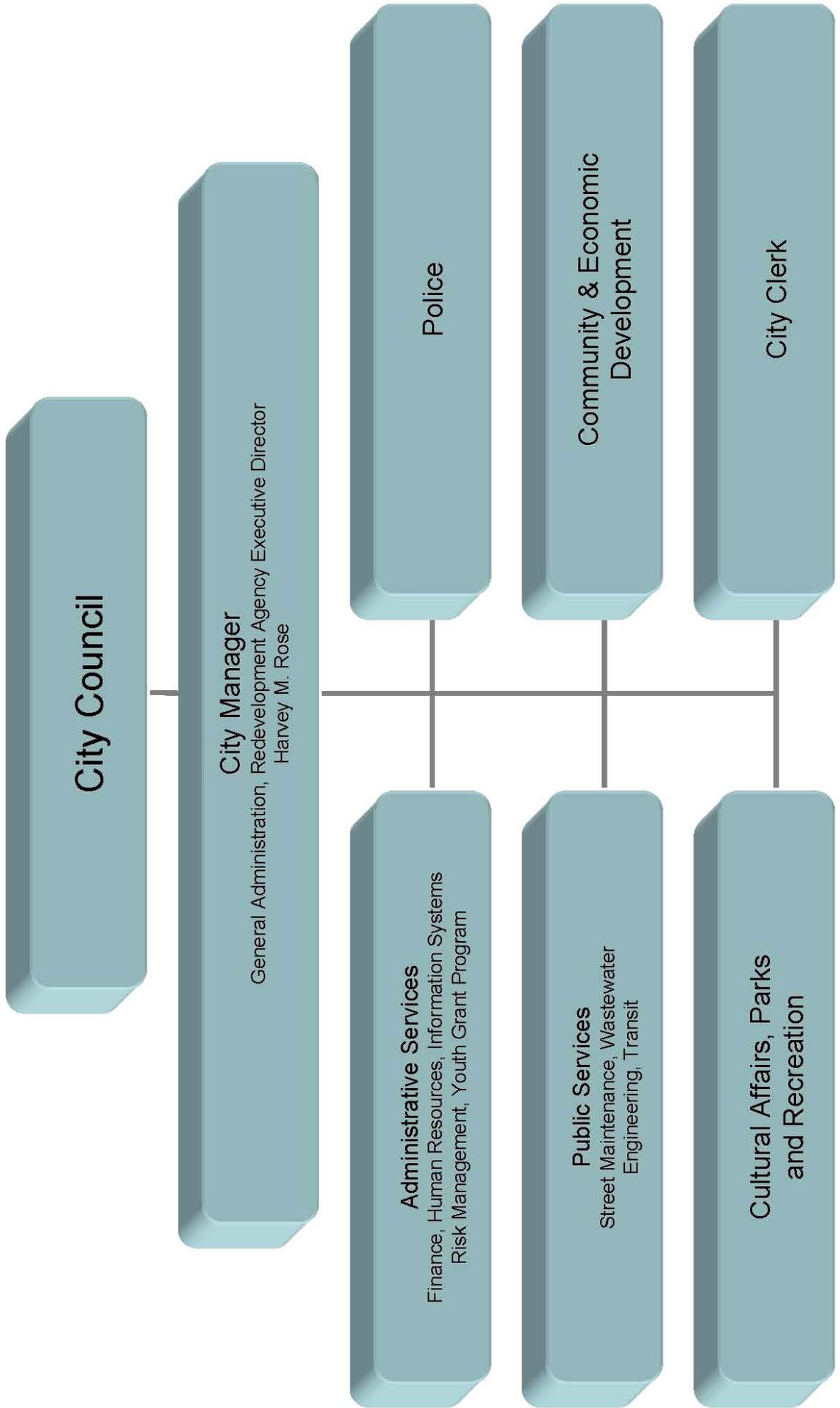
Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

CITY OF RIDGECREST

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2005





City of Ridgecrest, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2005

Mayor Marshall "Chip" Holloway
Richard "Duke" Martin, Mayor Pro-Tem
Daniel O. Clark, Vice Mayor
Steven P. Morgan, Council Member
Ronald Carter, Council Member

City Staff

Harvey M. Rose, City Manager/RDA Executive Director
J.C. Winegardner, Deputy City Manager of Administrative Services/City-Agency Treasurer
Michael Avery, Chief of Police
James L. McRea, Deputy City Manager of Public Services/City Engineer
Gary Parsons, Director of Community and Economic Development
James B. Ponek, Director of Cultural Affairs, Parks & Recreation
Rita L. Gable, City Clerk

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

Financial Section





INDEPENDENT AUDITORS' REPORT

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

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 Ridgecrest, California (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted Statement of the Governmental Accounting Standards Board No. 40, *Deposit and Investment Risk Disclosure* (an amendment of GASB Statement No. 3)

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2005 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 grants. 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.

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

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Orange County

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Costa Mesa, California 92626

Sacramento

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San Diego

4858 Mercury, Suite 105
San Diego, California 92111

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Capricci & Carlson

Costa Mesa, California
October 13, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Ridgecrest (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net assets, changes in net assets, and fund disclosures are discussed in more detail later in the report.

Financial Highlights - Primary Government

- ♦ *Government-Wide Highlights*

Net Assets - Assets of the City exceeded its liabilities at fiscal year ending June 30, 2005 by \$75.48 million this compared to \$74.3 million at fiscal year end June 30, 2004. This is an overall increase of \$1.18 million or 1.58% of prior year net assets. Assets for governmental activities exceeded liabilities by \$47.1 million and this compares to \$46.5 million at June 30, 2004 an increase of 1.29%; Assets for business-type activities exceeded liabilities by \$28.3 million and this compares to \$27.858 million at June 30, 2004 an increase of 1.59%.

Changes in Net Assets - The City's net assets increased \$1.13 million in fiscal year 2004-2005; this compared to a \$0.78 million decreased in fiscal year 2003-2004. Net assets of governmental activities increased by \$0.674 million as compared to a 2003-2004 decrease of \$1.63 million. Net assets of business-type activities increased by \$0.458 million as compared to an increase in 2003-2004 of \$0.8 million.

- ♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2004-2005 the City's total governmental funds reported a fund balance of \$7.14 million as compared to \$5.46 million in 2003-2004, an increase of \$1.68 million from the prior year.

General Fund - The fund balance of the general fund on June 30, 2005 was \$2.3 million, an of \$12,447 from the prior year. It is noted that \$536,280 of this amount was liquidated in designations from the prior year.

Redevelopment Agency - The fund balance of the redevelopment fund on June 30, 2005 was \$3.9 which compares to \$2.5 million, an increase of \$1.4 from the prior year.

Capital Improvement Projects Fund - The fund balance of the capital improvement projects fund on June 30, 2005 was \$0.531 million as compared to \$0.384 million, an increase of \$0.1469 million from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic 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.

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 private-sector business. They are comprised of the following:

- ♦ *Statement of Net Assets*
The Statement of Net Assets presents summarized information of all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This financial statement, for the first time, combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations.
- ♦ *Statement of Activities and Changes in Net Assets*
The Statement of Activities and Changes in Net Assets presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, transportation, cultural and leisure services and housing and community development. Business type activities include operations of the waste water plant and the City's Transit system.

The government-wide financial statements include not only the City itself (known as the primary government), but also the activities of legally separate component units: the Redevelopment Agency of the City of Ridgcrest (RDA). Because the City Council acts as the governing board for each of these component units and because they function as part of the City government, their activities are blended with those of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34 (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Non-Major Funds are summarized and presented in a single column.

- ♦ *Governmental Funds*
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance with the government-wide financial statements can be found on pages 29 and 31.

The City has sixteen governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's three major funds are: General Fund, Redevelopment Agency Fund, and Capital Improvement Projects Fund. Data from the non-major governmental funds (e.g., State Gas Tax Fund, City Debt Service, and etc.) are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 25-31. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 74-88.

- ♦ *Proprietary Funds*

The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for waste water and transit activities. Internal service funds are used to accumulate and account for the City's self-insurance. Because internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting.

The basic proprietary funds financial statements can be found on pages 36-38.

- ♦ *Fiduciary Funds*

Fiduciary (Agency) funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs.

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. The notes to the financial statements can be found on pages 45-66.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes budgetary comparison schedules for the major funds, schedules and disclosure of the modified approach for the city pavement infrastructure, and information regarding the obligation to provide pension benefits to employees. This information can be found on pages 67-70.

City of Ridgecrest's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 11,715,762	\$ 12,547,508	\$ 24,263,270
Capital Assets	59,654,845	16,045,166	75,700,011
Total Assets	<u>71,370,607</u>	<u>28,592,674</u>	<u>99,963,281</u>
Current Liabilities	3,100,102	275,949	3,376,051
Long-term Liabilities	21,106,505	-	21,106,505
Total Liabilities	<u>24,206,607</u>	<u>275,949</u>	<u>24,482,556</u>
Investments in Capital			
Net of Related Debt	38,924,688	16,045,166	54,969,854
Restricted	6,582,149	-	6,582,149
Unrestricted	1,657,163	12,271,559	13,928,722
Total Net Assets	<u>\$ 47,164,000</u>	<u>\$ 28,316,725</u>	<u>\$ 75,480,725</u>

Net Assets

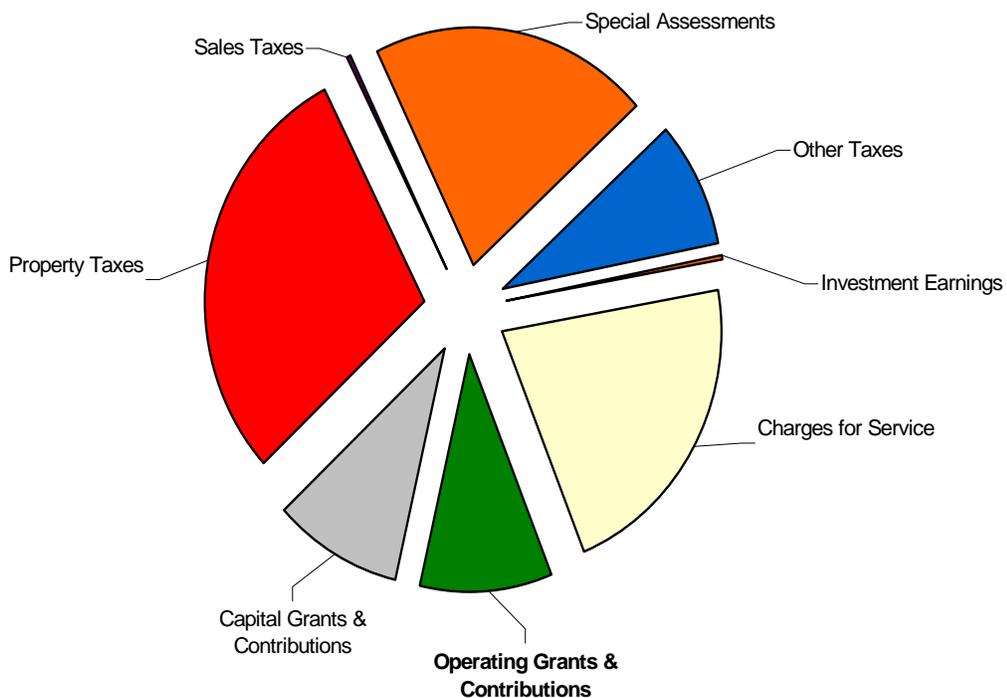
The chart above reflects the City's combined net assets (governmental and business-type activities) which total \$75.48 million at the close of fiscal year ending June 30, 2005.

By far, the largest portion of the City's total net assets (72.83%) reflects its investment in capital assets (e.g., land, streets, sewers, buildings, machinery, 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 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.

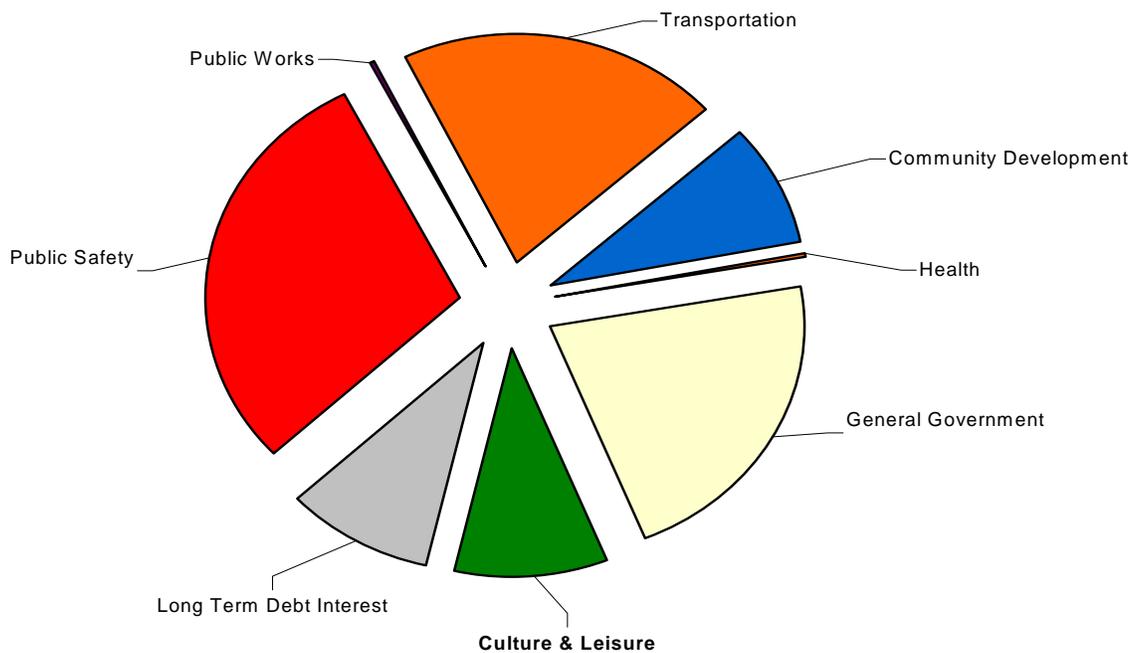
The remaining City net assets (27.17%) represent resources that are subject to external restrictions (e.g., capital projects, community development, debt services, and special projects) and resources that are unrestricted to meet the City's ongoing obligations to citizens and creditors.

At the end of the fiscal year 2004-05, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The City's net assets increased by \$1.132 million during the fiscal year. This increase is the net result of all the revenues and expenses and cannot be attributed to any specific items. Governmental Activities. Governmental activities increased the City's net assets by \$0.674M, and the business type activities showed an increase in net assets of \$0.458M. This compares to a prior year decrease in governmental activities of \$1.6M and an increase in business type activities of \$0.8M. The charts that follow show the program revenues, general revenues, and expenses by function for all City activities, including the Redevelopment Agency.

Revenues by Source Governmental Activities



Expenses by Function Governmental Activities



Statement of Changes in Net Assets
For the Year Ended June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 1,343,160	\$ 2,111,605	\$ 3,454,765
Operating grants and contributions	684,679	34,763	719,442
Capital grants and contributions	387,562	-	387,562
Total program revenues	2,415,401	2,146,368	4,561,769
General revenues:			
Property taxes	4,452,522	-	4,452,522
Sales taxes	2,807,751	-	2,807,751
Special Assessments	1,738	-	1,738
Other taxes	3,019,446	586,019	3,605,465
Grants and contributions	-	-	-
Investment earnings	203,827	255,984	459,811
Forgiveness of long-term debt	-	-	-
Gain (loss) on sale of assets	-	-	-
Other revenues	1,831,295	-	1,831,295
Total general revenues	12,316,579	842,003	13,158,582
Total revenues	14,731,980	2,988,371	17,720,351
Expenses:			
General government	3,633,285	-	3,633,285
Public safety	4,600,609	-	4,600,609
Public works	5,102	-	5,102
Transportation	3,202,007	-	3,202,007
Community development	1,362,832	-	1,362,832
Health	45,893	-	45,893
Culture & Leisure	1,473,004	-	1,473,004
Depreciation expense	-	-	-
Interest on long-term debt	1,265,420	-	1,265,420
Transit	-	519,590	519,590
Waste Water	-	1,006,344	1,006,344
Total expenses	15,588,152	1,525,934	17,114,086
Increase (decrease) in net assets before transfers	(856,172)	1,462,437	606,265
Transfers	1,051,811	(1,051,811)	-
Change in net assets	195,639	410,626	606,265
Net assets, beginning of year (as restated)	46,968,361	27,906,099	74,874,460
Net assets, end of year	\$ 47,164,000	\$ 28,316,725	\$ 75,480,725

- Charges for services are primarily for recreation, building, planning engineering, and waste water services.
- Operating and capital grants and contributions include Federal and State grants and other governments and impact fees.
- Property taxes include the general, voter-approved debt service, and the redevelopment property taxes.
- Other taxes include mainly hotel, business, property transfer, and gas taxes.

- General government expenses include those expenses necessary for the operation of the general operation of the City. These include but are not limited to:
 - City Council
 - Management
 - Legal Expenses
 - Human Resources, Financial Services, Technology, Risk Management, Insurance and Other Administrative Services
 - Engineering
- Public Safety Expenses include primarily Police Services.
- Community Development expenses includes planning, building, housing, code enforcement, and Redevelopment Agency expenditures.
- Culture & Leisure expenditures cover Parks and Recreation services including the operation of the Senior Center, Recreation Services, and the Community Center.

Business Type Activities

The City operates two business-type activities. These are the City's Transit System and its waste water System. These business-type activities increased the City's net assets by \$458,554 over the prior year. This compares to an increase of \$841,012 from Fiscal Year 2003-2004.

As in prior years the City's Transit System was supported primarily through a combination of State and Federal assistance. The larges of these was the State Transportation Development Act (TDA). The City also used minor Federal Funding to supply partial funding for the purchase of a replacement bus during the 2004-2005 Fiscal Year. Since the decline of Federal funds beginning in Fiscal year 2002, the City has been using TDA and other operational funds to purchase buses. The Waste Water fund is 100% supported by user fees collected for the City via property tax billing by Kern County.

INTERNAL SERVICE FUNDS

The City has one internal service fund: Self-Insurance and Risk Management. This fund is used to account for interdepartmental operations where the costs of services provided to the departments are financed or recovered by charging the user department. In addition to providing for Liability, Workers' Compensation, and Property Insurance funding, the Self Insurance and Risk Management Internal Service Fund also provides for funds for the liquidation of vacation, sick leave, and other compensated absences.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements that follow are not reflected on a full accrual basis.

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 financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Funds – The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2005, and includes Major and Non-Major Funds. It reflects the amount and percent of increase or decrease of each source of revenue.

Source of Revenue	FY 02-03 Amount	Percent of Total	FY 03-04 Amount	Percent of Total	FY 04-05 Amount	Percent of Total
Taxes	\$ 7,300,623	54.4%	\$ 7,657,442	61.7%	\$ 8,725,616	63.5%
Intergovernmental	4,477,119	33.4%	3,253,013	26.2%	2,626,347	19.1%
Licenses, Permits & Fees	248,319	1.9%	245,025	2.0%	447,594	3.3%
Charges for Services	497,612	3.7%	623,191	5.0%	773,345	5.6%
Fines and Forfeitures	100,396	0.7%	104,260	0.8%	97,364	0.7%
Use of Money & Property	263,345	2.0%	202,816	1.6%	274,229	2.0%
Assessment Revenue	1,573	0.0%	349	0.003%	1,738	0.013%
Other Revenues	531,145	4.0%	318,051	2.6%	804,769	5.9%
Total	\$ 13,420,132	100.0%	\$ 12,404,147	100.0%	\$ 13,751,002	100.0%

As of the end of the current year, the City of Ridgecrest's governmental funds reported combined ending fund balances of \$7.14M, an increase of \$1.68M in comparison with the prior year. Approximately 53.07% of this total amount, or \$3.8M, is available for spending at the government's discretion (unreserved fund balance) on operating activities and \$189,743 is committed to capital projects, another \$1,156,546 is committed to debt service, and finally \$649,037 is committed to other projects, not related to debt, subject to restrictions relating the various funding sources.

The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for existing contracts and purchase orders (\$1,303,840), 2) to pay debt service (\$609,529), 3, inventory held for resale, or 4) for a variety of other restricted purposes (\$1,439,324). The general fund is the chief operating fund of the City. At the end of the current fiscal year unreserved fund balance of the general fund was \$1.8M, while total fund balance was \$2.34. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund outgo. Unreserved fund balance represents 21.78 percent of total general fund expenditures, while total fund balance represents 28.44 percent of that same amount.

The fund balance of the City's general fund increased by a modest amount (\$12,447) during the current fiscal year. Key factors include rising revenues that were also offset by increased operational costs including workers' compensation expenditures, public safety costs, PERS retirement, and other operating costs.

The Redevelopment Fund has a total fund balance of \$3.9M. Most of this fund balance is reserved for capital projects and debt service. There was an increase of \$1.3M during the current year, primarily related to the deferment of various projects.

Proprietary Funds. The City of Ridgecrest proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Waste Water fund at the end of the fiscal year amounted to \$12.3M, and those found in the Transit System fund amounted to (\$1). The total growth in net assets was \$410,626. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund expenditures came under the budget by \$854,000. The expenditure savings were the result of a citywide effort to cut costs in order to cope with increased expenses, in particular retirement costs, while facing declining ongoing revenues. General Government Departments (Council, Manager, Finance/ Administrative Services) contributed \$383,380 of this savings; Police went over budget by \$55,883 to the over all savings; Community Development contributed \$296,526 of the overall savings; Parks and Recreation contributed a savings of \$64,688 and Public Works Engineering-Garage contributed a negative \$166,223. The general fund total revenues were above the adopted budget estimates by \$482,000, primarily due to sales taxes, other taxes, and current service fees.

	For the Fiscal Year Ended June 30, 2004				For the Fiscal Year Ended June 30, 2005			
	Favorable				Positive			
	FY 03/04				FY 04/05			
	Budgeted Amounts		Actual	(Negative)	Budgeted Amounts		Actual	(Negative)
Original	Final	Amounts	Variance with Final Budget	Original	Final	Amounts	Variance with Final Budget	
Fund balance, July 1	\$ 2,487,980	\$ 2,487,980	\$ 2,487,980	\$ -	\$ 2,332,526	\$ 2,332,526	\$ 2,332,526	\$ -
Resources (inflows):								
Property taxes	4,602,813	4,602,813	4,611,256	8,443	4,593,813	4,593,813	4,900,547	306,734
Intergovernmental revenue	1,587,467	1,724,667	1,302,782	(421,885)	1,663,996	1,690,858	1,506,717	(184,141)
Licenses, fees, and permits	277,580	277,850	245,025	(32,825)	234,285	234,285	447,594	213,309
Current services	457,250	548,498	623,191	74,693	572,150	627,150	773,345	146,195
Fines and penalties	78,100	96,100	104,260	8,160	81,100	81,100	97,364	16,264
Use of money and property	111,000	119,272	114,100	(5,172)	110,150	110,150	135,537	25,387
Other revenues	87,300	326,822	251,153	(75,669)	86,224	156,174	337,498	181,324
Proceeds From Capital Lease	-	-	170,735	170,735	-	-	-	-
Transfers from other funds	1,199,150	1,566,058	1,109,199	(456,859)	1,484,363	2,032,596	1,809,371	(223,225)
Amount available for appropriation	8,400,660	9,262,080	8,531,701	(730,379)	8,826,081	9,526,126	10,007,973	481,847
Charges to appropriations (outflows):								
General government	2,017,876	2,247,854	2,061,265	186,589	1,938,482	2,210,234	1,826,854	383,380
Public safety	3,737,033	3,740,983	3,712,013	28,970	4,037,247	4,155,902	4,211,785	(55,883)
Public works	426,098	392,795	392,988	(193)	554,569	669,956	503,733	166,223
Community development	574,250	590,873	505,847	85,026	581,962	654,543	358,017	296,526
Health	10,998	10,998	8,669	2,329	9,582	16,683	9,531	7,152
Culture and leisure	1,294,236	1,249,468	1,262,858	(13,390)	1,371,957	1,399,536	1,334,848	64,688
Non-departmental:								
Transfers to other funds	1,137,056	1,066,533	743,515	323,018	1,259,028	1,742,633	1,750,758	(8,125)
Total charges to appropriations	9,197,547	9,299,504	8,687,155	612,349	9,752,827	10,849,487	9,995,526	853,961
Excess of resources over (under) charges to appropriations	(796,887)	(37,424)	(155,454)	(1,342,728)	(926,746)	(1,323,361)	12,447	1,335,808
Fund balance, June 30	\$ 1,691,093	\$ 2,450,556	\$ 2,332,526	\$ (1,342,728)	\$ 1,405,780	\$ 1,009,165	\$ 2,344,973	\$ 1,335,808

During the current fiscal year, unreserved fund balance in the general fund remained stable at \$2.3M. There were \$549,291 of reserves including \$416,905 for encumbrances and contracts; \$116,921 for Economic Development (Building Division-related services) and another \$15,465 in Police-related reserves (donations and technology funding).

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its Governmental and Business Type activities as of June 30, 2005, amounts to \$85M (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and highways, sewers, storm drains and related infrastructure.

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land	\$ 4,107,722	\$ 1,614,217	\$ 5,721,939
Construction in process	-	-	-
Total non-depreciable assets, net	4,107,722	1,614,217	5,721,939
<i>Depreciable Assets:</i>			
Buildings and improvements	6,995,169	14,655,235	21,650,404
Machinery and equipment	1,104,072	1,319,346	2,423,418
Vehicles	2,874,394	920,784	3,795,178
Infrastructure	104,733,650	5,166,352	109,900,002
	115,707,285	22,061,717	137,769,002
Less accumulated depreciation	(60,160,162)	(7,630,768)	(67,790,930)
Total depreciable assets, net	55,547,123	14,430,949	69,978,072
Total capital assets	\$ 59,654,845	\$ 16,045,166	\$ 75,700,011

Additional information on the capital assets can be found in Note 4 on pages 59-60 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$23.7M. Of this amount, \$1.5M comprises debt backed by the full faith and credit of the City of Ridgecrest. The remainder of the debt represents bonds secured solely specified by revenue sources; i.e., the Redevelopment Agency tax increments.

	Balance				Balance	Due within	Due in more
	July 1, 2004	Additions	Deletions	Adjustment	June 30, 2005	one year	than one year
2002 Tax Allocation Refunding Bonds	\$ 3,490	\$ -	\$ (325)	\$ -	\$ 3,165	\$ 340	\$ 2,825
1999 Refunding Certificates of Participation	9,475	-	(225)	-	9,250	235	9,015
1999 Refunding Tax Allocation Bonds	7,105	-	(165)	-	6,940	175	6,765
Capital Lease Obligations	940	161	(130)	197	1,168	112	1,056
Compensated Absences	1,233	214	-	-	1,447	-	1,447
Total	\$ 22,243	\$ 375	\$ (845)	\$ 197	\$ 21,970	\$ 862	\$ 21,108

The total debt decreased by \$845K during the current fiscal year. The increase was due to the acquisition of additional equipment acquired through capital lease financing.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its assessed valuation. Additional information on the City of Ridgecrest long-term debt can be found in Note 5 on pages 61-63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic indicators have greatly improved in the last year with the expansion of the Naval Air Weapons Station, "NAWS" in China Lake. Over 2,000 civil jobs will be transferred to the station with an additional 3,000 jobs being generated as a result of new supporting military contractor and local business expansion. These new jobs are expected to generate from 12,500 to 15,000 new residents moving to the community. These new individuals will require new home construction with an estimated of 3,000 new housing units over the next 4 years.

Retail sales present a very good picture with the opening of several new large box retailers

With the passage of Proposition 1A brings the hope that the State not be able to take site of balancing its budget on the backs of the Cities throughout California. Additionally, the overall State budget revenues indicate that there might be hope for a reasonable budget process in Sacramento.

On a brighter note, since the late 1990s, real estate values have experienced a phenomenal revival. This trend began in the western portion of Kern County and has migrated east to Ridgecrest. Ridgecrest should continue to enjoy a solid property tax base.

Retail sales, also an indication of a strong local economy, continue to grow at a moderate rate. The second quarter of 2005 indicated an increase over 2004 of over 15% in retail sales.

The City has a diverse economic base that includes residential, retail, and commercial assets. The brightest spots in the local budget include local retail sales tax, business license tax enforcement, and transient occupancy tax. The recent surge in construction activity has also brought a significant amount of development and associated revenue into the City and its treasury. We have an adopted balanced budget that includes the restructuring of Cultural Affairs/Parks and Recreation, the creation of 5 new Internal Service Funds and two Special Revenue Funds.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Ridgecrest's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy City Manager-Administrative Services, 100 W. California Avenue, Ridgecrest, California, 93555.

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Basic Financial Statements



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Government-Wide Financial Statements



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City of Ridgecrest
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 9,803,859	\$ 10,815,704	\$ 20,619,563
Cash with fiscal agent	1,962,888	-	1,962,888
Accounts receivable	1,255,939	263,335	1,519,274
Internal balances	(1,400,000)	1,400,000	-
Interest receivable	56,505	68,469	124,974
Inventories	26,330	-	26,330
Deposits	10,241	-	10,241
Total current assets	<u>11,715,762</u>	<u>12,547,508</u>	<u>24,263,270</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	4,107,722	1,614,217	5,721,939
Depreciable	115,707,285	22,061,717	137,769,002
Total capital assets	<u>119,815,007</u>	<u>23,675,934</u>	<u>143,490,941</u>
Less accumulated depreciation	<u>(60,160,162)</u>	<u>(7,630,768)</u>	<u>(67,790,930)</u>
Capital assets, net	<u>59,654,845</u>	<u>16,045,166</u>	<u>75,700,011</u>
Total noncurrent assets	<u>59,654,845</u>	<u>16,045,166</u>	<u>75,700,011</u>
Total assets	<u>71,370,607</u>	<u>28,592,674</u>	<u>99,963,281</u>
LIABILITIES			
Current liabilities:			
Accounts payable	595,648	9,237	604,885
Retention payable	2,173	-	2,173
Salaries payable	136,031	15,328	151,359
Other payroll deductions payable	116,898	-	116,898
Deposits	101,763	-	101,763
Unearned revenue	645,299	251,384	896,683
Interest payable	208,099	-	208,099
Claims payable	431,816	-	431,816
Long-term debt, due within one year	862,375	-	862,375
Total current liabilities	<u>3,100,102</u>	<u>275,949</u>	<u>3,376,051</u>
Long-term liabilities:			
Long-term debt, due in more than one year	19,659,683	-	19,659,683
Compensated absences, due in more than one year	1,446,822	-	1,446,822
Total long-term liabilities	<u>21,106,505</u>	<u>-</u>	<u>21,106,505</u>
Total liabilities	<u>24,206,607</u>	<u>275,949</u>	<u>24,482,556</u>
NET ASSETS			
Invested in capital assets, net of related debt	<u>38,924,688</u>	<u>16,045,166</u>	<u>54,969,854</u>
Restricted for:			
Capital projects	140,913	-	140,913
Debt service	1,730,075	-	1,730,075
Community development	573,810	-	573,810
Special projects	4,137,351	-	4,137,351
Total restricted	<u>6,582,149</u>	<u>-</u>	<u>6,582,149</u>
Unrestricted	<u>1,657,163</u>	<u>12,271,559</u>	<u>13,928,722</u>
Total net assets	<u>\$ 47,164,000</u>	<u>\$ 28,316,725</u>	<u>\$ 75,480,725</u>

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Statement of Activities and Changes in Net Assets
For the fiscal year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 3,135,747	\$ 176,129	\$ 61,184	\$ -	\$ 237,313
Public safety	4,600,609	216,577	173,759	-	390,336
Public works	502,640	-	-	-	-
Transportation	3,202,007	-	449,736	347,562	797,298
Community development	1,362,832	530,726	-	-	530,726
Health	45,893	49	-	-	49
Culture and leisure	1,473,004	419,679	-	40,000	459,679
Interest and fiscal agent fees on long term debt	1,265,420	-	-	-	-
Total governmental activities	15,588,152	1,343,160	684,679	387,562	2,415,401
Business-type activities:					
TDA transit	471,662	133,380	34,763	-	168,143
Wastewater improvement	1,006,344	1,978,225	-	-	1,978,225
Total business-type activities	1,478,006	2,111,605	34,763	-	2,146,368
Total primary government	\$ 17,066,158	\$ 3,454,765	\$ 719,442	\$ 387,562	\$ 4,561,769

General revenues:

Taxes:

Property taxes

Sales taxes

Other taxes

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated (Note 8)

Net assets - end of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,898,434)	\$ -	\$ (2,898,434)
(4,210,273)	-	(4,210,273)
(502,640)	-	(502,640)
(2,404,709)	-	(2,404,709)
(832,106)	-	(832,106)
(45,844)	-	(45,844)
(1,013,325)	-	(1,013,325)
(1,265,420)	-	(1,265,420)
(13,172,751)	-	(13,172,751)
-	(303,519)	(303,519)
-	971,881	971,881
-	668,362	668,362
(13,172,751)	668,362	(12,504,389)
4,452,522	-	4,452,522
2,807,751	-	2,807,751
3,021,184	586,019	3,607,203
10,281,457	586,019	10,867,476
203,827	255,984	459,811
1,831,295	-	1,831,295
1,051,811	(1,051,811)	-
13,368,390	(209,808)	13,158,582
195,639	458,554	654,193
46,968,361	27,858,171	74,826,532
\$ 47,164,000	\$ 28,316,725	\$ 75,480,725

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Fund Financial Statements

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements



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Governmental Fund Financial Statements



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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Funds of the City are outlined below:

The General Fund - This fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In Ridgecrest, these services include general government, safety, community development, culture and recreation and public works.

Ridgecrest Redevelopment Agency Fund - The Ridgecrest Redevelopment Agency (RRA) was established in 1986 and its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of the blighted areas within the City of Ridgecrest.

Capital Improvement Capital Projects Fund - Funds set aside for Capital Improvement Projects.

Other Governmental Funds - Other Governmental Funds is the aggregate of all the non-major governmental funds.

**City of Ridgecrest
Balance Sheet
Governmental Funds
June 30, 2005**

	Major Funds				
	General Fund	Ridgecrest Redevelopment Agency	Capital	Other Governmental Funds	Total Governmental Funds
			Improvements Capital Projects Fund		
ASSETS					
Cash and investments	\$ 2,525,266	\$ 3,398,970	\$ 623,392	\$ 298,022	\$ 6,845,650
Cash with fiscal agent	-	1,865,888	-	-	1,865,888
Accounts receivable	644,585	610,970	(1)	19	1,255,573
Interest receivable	13,130	19,664	3,681	1,918	38,393
Interfund receivable	10	-	-	-	10
Inventories	26,330	-	-	-	26,330
Deposits	-	-	-	10,241	10,241
Total assets	\$ 3,209,321	\$ 5,895,492	\$ 627,072	\$ 310,200	\$ 10,042,085
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 428,462	\$ 78,847	\$ 47,544	\$ 39,504	\$ 594,357
Retention payable	-	-	2,173	-	2,173
Salaries payable	125,369	3,354	-	7,308	136,031
Other payroll deductions payable	115,751	-	-	-	115,751
Deposits	99,163	2,500	-	100	101,763
Deferred revenue	95,603	503,866	45,830	-	645,299
Interfund payable	-	-	-	10	10
Interfund notes payable	-	1,400,000	-	-	1,400,000
Total liabilities	864,348	1,988,567	95,547	46,922	2,995,384
Fund Balances:					
Reserved for:					
Encumbrances	416,905	(106,237)	917,620	75,552	1,303,840
Capital projects	-	-	-	10,241	10,241
Debt service	-	1,669,075	-	97,000	1,766,075
Interfund transactions	-	1,296,697	-	-	1,296,697
Economic development	116,921	-	-	-	116,921
Police tech funding	4,630	-	-	-	4,630
Police Department - Local funds designation	6,222	-	-	-	6,222
Police Department reward donations	2,514	-	-	-	2,514
Asset seizure	2,099	-	-	-	2,099
Total reserved	549,291	2,859,535	917,620	182,793	4,509,239
Unreserved, undesignated:					
General fund	1,795,682	-	-	-	1,795,682
Special revenue	-	602,224	-	46,813	649,037
Capital projects	-	445,166	(386,095)	130,672	189,743
Total unreserved, undesignated	1,795,682	1,047,390	(386,095)	177,485	2,634,462
Total fund balances	2,344,973	3,906,925	531,525	360,278	7,143,701
Total liabilities and fund balances	\$ 3,209,321	\$ 5,895,492	\$ 627,072	\$ 407,200	\$ 10,139,085

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2005

Total Fund Balances - Total Governmental Funds	\$ 7,143,701
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	
Non-depreciable	4,107,722
Depreciable	115,707,285
Less accumulated depreciation	<u>(60,160,162)</u>
	<u>59,654,845</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Long-term debt	(20,522,058)
Compensated absences	(1,446,822)
	<u>(21,968,880)</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.	(208,099)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.	<u>2,542,433</u>
Net Assets of Governmental Activities	<u>\$ 47,164,000</u>

City of Ridgecrest
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005

	Major Funds				
	General Fund	Ridgecrest Redevelopment Agency	Capital	Other Governmental Funds	Total Governmental Funds
			Improvements Capital Projects Fund		
REVENUES:					
Taxes	\$ 4,900,547	\$ 3,825,069	\$ -	\$ -	\$ 8,725,616
Intergovernmental	1,506,717	182,332	387,562	549,736	2,626,347
Licenses, permits and fees	447,594	-	-	-	447,594
Charges for services	773,345	-	-	-	773,345
Fines and forfeitures	97,364	-	-	-	97,364
Use of money and property	135,537	107,243	10,410	21,039	274,229
Assessment revenues	-	-	-	1,738	1,738
Other revenues	273,824	355,780	1,154	110,337	741,095
Total revenues	8,134,928	4,470,424	399,126	682,850	13,687,328
EXPENDITURES:					
Current:					
General government	1,826,854	-	12,900	-	1,839,754
Public safety	4,211,785	-	-	158,256	4,370,041
Public Works	222,119	-	255,681	24,840	502,640
Transportation	-	-	-	698,515	698,515
Community development	358,017	885,296	-	23,985	1,267,298
Health	9,531	-	18,152	-	27,683
Culture and leisure	1,334,848	-	34,087	-	1,368,935
Capital outlay	281,614	-	-	-	281,614
Debt service:					
Principal	-	715,000	-	129,167	844,167
Interest	-	1,214,698	-	56,249	1,270,947
Total expenditures	8,244,768	2,814,994	320,820	1,091,012	12,471,594
REVENUES OVER (UNDER) EXPENDITURES	(109,840)	1,655,430	78,306	(408,162)	1,215,734
OTHER FINANCING SOURCES (USES):					
Proceeds from capital lease	63,674	-	-	97,000	160,674
Transfers in	1,809,371	3,007,785	68,587	1,028,649	5,914,392
Transfers out	(1,750,758)	(3,289,579)	-	(567,519)	(5,607,856)
Total other financing sources (uses)	122,287	(281,794)	68,587	558,130	467,210
Net change in fund balances	12,447	1,373,636	146,893	149,968	1,682,944
FUND BALANCES:					
Beginning of year	2,332,526	2,533,289	384,632	210,310	5,460,757
End of year	\$ 2,344,973	\$ 3,906,925	\$ 531,525	\$ 360,278	\$ 7,143,701

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest

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, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 1,682,944

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

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 281,614

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 (3,567,475)

The net effect of sale involving various capital assets is to decrease net assets. (48,673)

Long-term compensated absences were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, long-term compensated absences were not reported as expenditures in governmental funds. (277,443)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

Long-term debt proceeds (97,000)

Principal payment 844,167

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year. 5,527

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds is reported with governmental activities. 1,371,978

Change in Net Assets of Governmental Activities \$ 195,639

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Proprietary Fund Financial Statements



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PROPRIETARY FUND FINANCIAL STATEMENTS

T.D.A. Transit Fund - The T.D.A. Transit Fund is intended to show the financial position and results of operations of only those transactions attributable to the Ridgecrest Transit System (RTS), operated by the City of Ridgecrest, California.

Wastewater Improvement Fund - This fund was established to receive and disburse funds collected through sewer services charge fees and sewer facilities charges. These funds are used for the operation and maintenance of sewer disposal facilities and the financing of construction outlet sewers.

Internal Service Funds - These funds are used to account for the financing of goods and services provided by one or more departments or agencies to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

City of Ridgecrest
Statement of Net Assets
Proprietary Funds
June 30, 2005

	T.D.A. Transit	Wastewater Improvement	Total	Governmental Activities - Internal Service Funds
ASSETS				
Cash and investments	\$ 123,941	\$ 10,691,763	\$ 10,815,704	\$ 2,958,209
Accounts receivable	134,511	128,824	263,335	366
Interest receivable	758	67,711	68,469	18,112
Total current assets	259,210	10,888,298	11,147,508	2,976,687
Noncurrent assets:				
Interfund note receivable	-	1,400,000	1,400,000	-
Capital assets:				
Non-depreciable:				
Land	-	1,614,217	1,614,217	-
Depreciable:				
Buildings and improvements	-	19,821,586	19,821,586	-
Machinery and equipment	389,858	1,305,668	1,695,526	-
Vehicles	-	544,605	544,605	-
Less accumulated depreciation	(260,221)	(7,370,547)	(7,630,768)	-
Total noncurrent assets	129,637	17,315,529	17,445,166	-
Total assets	388,847	28,203,827	28,592,674	2,976,687
LIABILITIES				
Accounts payable	583	8,654	9,237	1,291
Salaries payable	7,244	8,084	15,328	1,147
Claims payable	-	-	-	431,816
Deferred revenue	251,384	-	251,384	-
Total liabilities	259,211	16,738	275,949	434,254
NET ASSETS				
Invested in capital assets	129,637	15,915,529	16,045,166	-
Unrestricted	(1)	12,271,560	12,271,559	2,542,433
Total net assets	\$ 129,636	\$ 28,187,089	\$ 28,316,725	\$ 2,542,433

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2005

	T.D.A. Transit	Wastewater Improvement	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES:				
Service charges	\$ 133,380	\$ 1,965,793	\$ 2,099,173	\$ 191,365
Miscellaneous	-	12,432	12,432	929,168
Total operating revenues	133,380	1,978,225	2,111,605	1,120,533
OPERATING EXPENSES:				
Transportation	429,806	-	429,806	-
Health	-	586,974	586,974	-
Salaries and employee benefits	-	-	-	545,640
Depreciation	41,856	419,370	461,226	-
Total operating expenses	471,662	1,006,344	1,478,006	545,640
OPERATING INCOME (LOSS)	(338,282)	971,881	633,599	574,893
NONOPERATING REVENUES (EXPENSES):				
Taxes	586,019	-	586,019	-
Intergovernmental	34,763	-	34,763	-
Use of property and money	4,024	251,960	255,984	51,810
Total nonoperating revenues	624,806	251,960	876,766	51,810
INCOME (LOSS) BEFORE TRANSFERS	286,524	1,223,841	1,510,365	626,703
TRANSFERS:				
Transfers in	-	-	-	846,083
Transfers out	(280,453)	(771,358)	(1,051,811)	(100,808)
Total operating transfers	(280,453)	(771,358)	(1,051,811)	745,275
NET INCOME	6,071	452,483	458,554	1,371,978
NET ASSETS:				
Beginning of year	123,565	27,734,606	27,858,171	1,170,455
End of year	\$ 129,636	\$ 28,187,089	\$ 28,316,725	\$ 2,542,433

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2005

	T.D.A. Transit	Wastewater Improvement	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 97,206	\$ 2,087,962	\$ 2,185,168	\$ 190,999
Cash payments to suppliers	(430,724)	(6,865)	(437,589)	(28,431)
Cash payments for employees for services	155	(585,374)	(585,219)	(897,538)
Insurance premiums and settlements	-	-	-	1,147
Cash received from (payments to) other	(176)	(19,327)	(19,503)	919,172
Net cash provided (used) by operating activities	(333,539)	1,476,396	1,142,857	185,349
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Taxes	586,019	-	586,019	-
Intergovernmental	34,763	-	34,763	-
Transfers in	-	-	-	846,083
Transfers out	(280,453)	(771,358)	(1,051,811)	(100,808)
Net cash provided (used) by noncapital financing activities	340,329	(771,358)	(431,029)	745,275
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Change in capital assets, net	-	(7,851)	(7,851)	-
Net cash provided (used) by capital and related financing activities	-	(7,851)	(7,851)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	4,024	251,960	255,984	51,810
Net cash provided (used) by investing activities	4,024	251,960	255,984	51,810
Net increase (decrease) in cash and cash equivalents	10,814	949,147	959,961	982,434
CASH AND CASH EQUIVALENTS:				
Beginning of year	113,127	9,742,616	9,855,743	1,975,775
End of year	\$ 123,941	\$ 10,691,763	\$ 10,815,704	\$ 2,958,209
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (338,282)	\$ 971,881	\$ 633,599	\$ 574,893
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	41,856	419,370	461,226	-
Changes in current assets and liabilities:				
Accounts receivable	(124,948)	(20,109)	(145,057)	(366)
Due from other funds	-	-	-	-
Interest receivable	(176)	(31,759)	(31,935)	(9,996)
Advances to other funds	-	200,000	200,000	-
Accounts payable	(918)	(6,865)	(7,783)	(28,431)
Due to other funds	-	-	-	-
Salaries payable	155	1,600	1,755	(351,898)
Claims payable	-	-	-	1,147
Deferred revenue	88,774	(57,722)	31,052	-
Total adjustments	4,743	504,515	509,258	(389,544)
Net cash provided (used) by operating activities	\$ (333,539)	\$ 1,476,396	\$ 1,142,857	\$ 185,349

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

Fiduciary Fund Financial Statements



City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

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FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Fund are used to account for assets held by the City in the capacity of agent for individuals. Agency Fund spending is controlled primarily through legal agreements and applicable State and Federal laws.

City of Ridgecrest
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 16,309	\$ 700,645
Accounts receivable	-	8,742
Interest receivable	100	3,524
Sewer assessment receivable	-	286,556
Total assets	\$ 16,409	\$ 999,467
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ -	\$ 40,289
Interest payable	-	287,187
Due to bondholders	-	671,991
Total liabilities	-	\$ 999,467
Net Assets:		
Unreserved, undesignated	16,409	
Total net assets	\$ 16,409	

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Trust Funds
For the year ended June 30, 2005

	<u>Private Purpose Trust Funds</u>
REVENUES:	
Use of property and money	<u>\$ 324</u>
Total revenues	<u>324</u>
NET ASSETS:	
Beginning of year	<u>16,085</u>
End of year	<u>\$ 16,409</u>

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

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City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

Notes to Basic Financial Statements



City of Ridgecrest
Notes to Basic Financial Statements
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Ridgecrest, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, the City of Ridgecrest (City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Basis of Accounting and Measurement Focus

Using the blended method, the following component unit is included in the accompanying basic financial statements of the City:

Redevelopment Agency of the City of Ridgecrest (Agency) - The Agency's purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City.

The above component unit is included in the City's basic financial statements using the blended method since the governing body of the component unit is substantially the same as the governing body of the City and the component unit provided services entirely to the City. The activities of the Agency are included in the special revenue, debt service, and capital project funds.

Detailed financial statements are available for the above component unit from the City's Finance Department.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The City 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 and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and related 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.

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

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

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 except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the Statement of Activities, internal service fund transactions have been eliminated.) However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure.

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 and non-major funds aggregated. 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 City has presented all major funds that met the applicable criteria.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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 City, 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.

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.

Governmental Funds of the City are outlined below:

The General Fund - This fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In Ridgecrest, these services include general government, safety, community development, culture and recreation and public works.

Ridgecrest Redevelopment Agency Fund - The Ridgecrest Redevelopment Agency (RRA) was established in 1986 and its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of the blighted areas within the City of Ridgecrest.

Capital Improvement Capital Projects Fund - Funds set aside for Capital Improvement Projects.

Other Governmental Funds - Other Governmental Funds is the aggregate of all the non-major governmental funds.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total 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.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Proprietary Funds of the City are outlined below:

T.D.A. Transit Fund - The T.D.A. Transit Fund is intended to show the financial position and results of operations of only those transactions attributable to the Ridgecrest Transit System (RTS), operated by the City of Ridgecrest, California.

Wastewater Improvement Fund - This fund was established to receive and disburse funds collected through sewer services charge fees and sewer facilities charges. These funds are used for the operation and maintenance of sewer disposal facilities and the financing of construction outlet sewers.

Internal Service Funds - These funds are used to account for the financing of goods and services provided by one or more departments or agencies to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets and a Statement of Changes in Fiduciary Net Assets. The City’s fiduciary funds represent agency funds and private-purpose trust funds. Agency Funds are used to account for assets held by the City in the capacity of agent for individuals. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Fund spending is controlled primarily through legal agreements and applicable State and Federal laws. The agency funds are reported using the accrual basis of accounting. The private-purpose trust fund types are used to account for resources legally held in trust for special purposes.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 City's policy is to apply restricted net assets first.

D. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year end are reported as reservations of fund balances. Unexpended appropriations lapse at year end.

E. Cash, Cash Equivalents and Investments, Continued

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

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 pool funds in Structured Notes and Asset-Backed Securities. 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 Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

F. Restricted Cash and Investments

Certain restricted cash and investments are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets

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. City 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
Machinery and Equipment	5-20 years
Infrastructure	15-50 years

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. In accordance with GASB Statement No. 34, the City has included all infrastructure into the 2004-05 basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. 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.

I. 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 - 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."

Fund Financial Statements

Fund Equity - 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.

J. Compensated Absences

Government-Wide Financial Statements

For governmental activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Property Taxes

Property taxes are levied on January 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is March 1. The County of Kern, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes as revenues at June 30 available taxes or those collected within 60 days.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic levy proportionate to what it received during the years 1976 to 1978.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

M. Implementation of New GASB Pronouncement

In 2005, the City implemented new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

- Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No.3)*

2. CASH AND INVESTMENTS

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2005:

	Government-Wide Statement of Net Assets		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Assets	
Cash and investments	\$ 9,803,859	\$ 10,815,704	\$ 716,954	\$ 21,336,517
Restricted cash and investments:	1,962,888	-	-	1,962,888
Total	\$ 11,766,747	\$ 10,815,704	\$ 716,954	\$ 23,299,405

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS, Continued

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds.

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$1,999,702 at June 30, 2005. Bank balances before reconciling items were \$2,257,207 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name is discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

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.

B. 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.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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.

C. External Investment Pool

The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2005, 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 CMO's) 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, 2005, the City had \$18,838,800 invested in LAIF which had invested 2.406% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.997747553 was used to calculate the fair value of the investments in LAIF.

D. Risk Disclosures

At June 30, 2005, the City had the following deposits and investments:

Interest Rate Risk:

	Fair Value	1 year or less
Investment type:		
Demand accounts	\$ 1,999,702	\$ 1,999,702
Petty cash	1,250	1,250
California Local Agency Investment Fund	19,335,565	19,335,565
Investment held by Fiscal Agents	1,962,888	1,962,888
Total	\$ 23,299,405	\$ 23,299,405

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Credit Risk:

	Credit Quality Ratings		Fair Value
	Moody's	Standard & Poor's	
Cash and Investments:			
Cash deposits	Not Rated		\$ 1,999,702
State Local Agency Investment Fund	Not Rated		19,335,565
Investments held by Fiscal Agents	Not Rated		1,962,888
Total Cash and Investments			\$ 23,298,155

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

3. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Internal Balances

At June 30, 2005, the City had the following short-term interfund receivables and payables:

Internal Balances	Governmental Activities	Internal Balances
		Business-Type Activities
		\$ 1,400,000

Transfers

At June 30, 2005, the City had the following transfers:

Transfers In	Governmental Activities	Transfers Out
		Business-Type Activities
		\$ 1,051,811

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

3. INTERFUND TRANSACTIONS, Continued

A. Government-Wide Financial Statements, Continued

Transfers, Continued

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers were used to (1) move revenues from the funds that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt services from funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

B. Fund Financial Statements

Interfund Receivables and Payables

At June 30, 2005, the City had the following short-term interfund receivables and payables:

		Interfund Receivables		
		General	Non-major Governmental Funds	Total
Interfund Payable	Ridgecrest Redevelopment:			
	Agency	\$ 287,187	\$ -	\$ 287,187
	Non-major Governmental:			
	Funds	10	-	10
	Total	\$ 287,197	\$ -	\$ 287,197

Interfund notes receivable and payable at June 30, 2005, were as follows:

		Notes Receivable		
		Ridgecrest Redevelopment Agency	Enterprise Fund Wastewater Improvement	Total
Notes Payable	Ridgecrest Redevelopment:			
	Agency	\$ -	\$ 1,400,000	\$ 1,400,000
	Total	\$ -	\$ 1,400,000	\$ 1,400,000

On June 19, 2002, the Wastewater Improvement 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.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

3. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Interfund Notes Receivables and Payables, Continued

The annual requirements to amortize the note are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2006	\$ 200,000	\$ 70,000	\$ 270,000
2007	200,000	60,000	260,000
2008	200,000	50,000	250,000
2009	200,000	40,000	240,000
2010	200,000	30,000	230,000
2011.-2012	400,000	30,000	430,000
Total	\$ 1,400,000	\$ 280,000	\$ 1,680,000

Transfers

At June 30, 2005, the City had the following transfers:

Transfers Out							
	General Fund	Ridgecrest	Non-major	Enterprise Funds		Internal Service Funds	Total
		Redevelopment Agency	Governmental Funds	TDA Transit	Wastewater Improvement		
General Fund	\$ -	\$ 239,083	\$ 163,331	\$ 574,686	\$ 731,462	\$ 100,809	\$ 1,809,371
Ridgecrest Redevelopment Agency	-	832,318	2,183,385	-	-	-	3,015,703
Capital Projects Fund:							
Capital Improvements	14,205	-	-	54,036	346	-	68,587
Non-major							
Governmental Funds	1,020,732	-	-	-	-	-	1,020,732
Internal Service Funds	715,821	34,793	34,132	21,787	39,550	-	846,083
Total	\$ 1,750,758	\$ 1,106,194	\$ 2,380,848	\$ 650,509	\$ 771,358	\$ 100,809	\$ 6,760,476

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers were used to (1) move revenues from the funds that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt services from funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2005, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land	\$ 4,107,722	\$ 1,614,217	\$ 5,721,939
Construction in process	-	-	-
Total non-depreciable assets, net	<u>4,107,722</u>	<u>1,614,217</u>	<u>5,721,939</u>
<i>Depreciable Assets:</i>			
Buildings and improvements	25,669,219	14,655,234	40,324,453
Machinery and equipment	3,978,466	2,240,130	6,218,596
Infrastructure	86,059,601	5,166,352	91,225,953
Total depreciable assets	<u>115,707,286</u>	<u>22,061,716</u>	<u>137,769,002</u>
<i>Less accumulated depreciation:</i>			
Buildings and improvements	(13,759,012)	(3,425,719)	(17,184,731)
Machinery and equipment	(3,115,943)	(1,861,859)	(4,977,802)
Infrastructure	(43,285,207)	(2,343,190)	(45,628,397)
Total accumulated depreciation	<u>(60,160,162)</u>	<u>(7,630,768)</u>	<u>(67,790,930)</u>
Total depreciable assets, net	<u>55,547,124</u>	<u>14,430,948</u>	<u>69,978,072</u>
Total capital assets	<u>\$ 59,654,846</u>	<u>\$ 16,045,165</u>	<u>\$ 75,700,011</u>

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

	Balance July 1, 2004	Additions	Deletions	Adjustments	Balance June 30, 2005
<i>Non-Depreciable Assets:</i>					
Land	\$ 4,153,517	\$ -	\$ (45,795)	\$ -	\$ 4,107,722
Construction in progress	226,276	-	(226,276)	-	-
Total non-depreciable assets	<u>4,379,793</u>	<u>-</u>	<u>(272,071)</u>	<u>-</u>	<u>4,107,722</u>
<i>Depreciable Assets:</i>					
Buildings and improvements	6,995,169	-	-	-	6,995,169
Machinery and equipment	3,754,403	281,614	(57,552)	-	3,978,465
Infrastructure	104,028,908	704,743	-	-	104,733,651
Total depreciable assets	<u>114,778,480</u>	<u>986,357</u>	<u>(57,552)</u>	<u>-</u>	<u>115,707,285</u>
<i>Less accumulated depreciation:</i>					
Buildings and improvements	(12,920,953)	(999,201)	-	-	(13,920,154)
Machinery and equipment	(2,949,684)	(220,934)	54,674	-	(3,115,944)
Infrastructure	(40,776,725)	(2,347,340)	-	-	(43,124,065)
Total accumulated depreciation	<u>(56,647,362)</u>	<u>(3,567,475)</u>	<u>54,674</u>	<u>-</u>	<u>(60,160,163)</u>
Total depreciable assets, net	<u>58,131,118</u>	<u>(2,581,118)</u>	<u>(2,878)</u>	<u>-</u>	<u>55,547,122</u>
Total governmental activities	<u>\$ 62,510,911</u>	<u>\$ (2,581,118)</u>	<u>\$ (274,949)</u>	<u>\$ -</u>	<u>\$ 59,654,844</u>

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Governmental activities depreciation expense for capital assets for the year ended June 30, 2005 are as follows:

General Government	\$	879,395
Public Safety		77,734
Transportation		2,468,844
Community Development		75,695
Culture and Leisure		65,807
Total depreciation expense	\$	3,567,475

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2004	Additions	Deletions	Adjustments	Balance June 30, 2005
<i>Non-Depreciable Assets:</i>					
Land	\$ 1,614,217	\$ -	\$ -	\$ -	\$ 1,614,217
Total non-depreciable assets	<u>1,614,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,614,217</u>
<i>Depreciable Assets:</i>					
Buildings and improvements	19,821,586	-	-	5,512	19,827,098
Machinery and equipment	2,232,279	7,852	-	(5,512)	2,234,619
Total depreciable assets	<u>22,053,865</u>	<u>7,852</u>	<u>-</u>	<u>-</u>	<u>22,061,717</u>
<i>Less accumulated depreciation:</i>					
Buildings and improvements	(6,612,031)	(388,880)	-	-	(7,000,911)
Machinery and equipment	(557,510)	(72,347)	-	-	(629,857)
Total accumulated depreciation	<u>(7,169,541)</u>	<u>(461,227)</u>	<u>-</u>	<u>-</u>	<u>(7,630,768)</u>
Total depreciable assets, net	<u>14,884,324</u>	<u>(453,375)</u>	<u>-</u>	<u>-</u>	<u>14,430,949</u>
Total governmental activities	\$ 16,498,541	\$ (453,375)	\$ -	\$ -	\$ 16,045,166

Business-type activities depreciation expense for capital assets for the year ended June 30, 2005 are as follows:

TDA Transit	\$	41,856
Wastewater Improvement		419,371
Total depreciation expense	\$	461,227

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.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

5. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2005, was as follows (in thousands):

	Balance				Balance June 30, 2005	Due within one year	Due in more than one year
	July 1, 2004	Additions	Deletions	Adjustment			
2002 Tax Allocation Refunding Bonds	\$ 3,490	\$ -	\$ (325)	\$ -	\$ 3,165	\$ 340	\$ 2,825
1999 Refunding Certificates of Participation	9,475	-	(225)	-	9,250	235	9,015
1999 Refunding Tax Allocation Bonds	7,105	-	(165)	-	6,940	175	6,765
Capital Lease Obligations	940	161	(130)	197	1,168	112	1,056
Compensated Absences	1,233	722	(508)	-	1,447	-	1,447
Total	\$ 22,243	\$ 883	\$ (1,353)	\$ 197	\$ 21,970	\$ 862	\$ 21,108

2002 Tax Allocation Refunding Bonds

Proceeds from the \$4,475,000 Tax Allocation Refunding were issued used 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 ranges from 2% to 5% and is paid semi-annually.

The annual debt service requirements are as follows:

Year Ending	June 30,		
	Principal	Interest	Total
2006	\$ 340,000	\$ 145,563	\$ 485,563
2007	355,000	132,813	487,813
2008	365,000	117,725	482,725
2009	380,000	101,300	481,300
2010	400,000	84,200	484,200
2011-2013	1,325,000	133,700	1,458,700
Total	\$ 3,165,000	\$ 715,300	\$ 3,880,300

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

5. LONG-TERM DEBT, Continued

1999 Refunding Certificates of Participation

The certificates issued in December 1999 represent undivided fractional interests of the owners in the lease payments (both principal and interest) to be made by the City for the right to the use of certain real property and improvements constituting the City's Civic Center pursuant to the Lease Agreement dated November 1, 1999, by and between the City, as a lessee and the Agency as the lessor. Additionally, the certificates are to provide funds to refund certain outstanding certificates of participation issued in 1988.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 235,000	\$ 564,475	\$ 799,475
2007	245,000	552,138	797,138
2008	260,000	539,030	799,030
2009	275,000	524,860	799,860
2010	290,000	509,598	799,598
2011-2015	1,725,000	2,261,065	3,986,065
2016-2020	2,325,000	1,670,938	3,995,938
2021-2025	3,145,000	848,126	3,993,126
2026	750,000	46,875	796,875
Total	\$ 9,250,000	\$ 7,517,105	\$ 16,767,105

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 annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 175,000	\$ 423,525	\$ 598,525
2007	185,000	414,338	599,338
2008	195,000	404,440	599,440
2009	205,000	393,813	598,813
2010	215,000	382,435	597,435
2011-2015	1,300,000	1,704,440	3,004,440
2016-2020	1,740,000	1,253,127	2,993,127
2021-2025	2,360,000	636,877	2,996,877
2026	565,000	35,313	600,313
Total	\$ 6,940,000	\$ 5,648,308	\$ 12,588,308

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

5. LONG-TERM DEBT, Continued

Capital Lease Obligations

The City entered into various lease agreements for copiers and equipment during the fiscal years ended June 30, 1996, 2003 and 2005. The leases have been classified as capital lease obligations. The copiers are for the Finance Department and Police Department. The equipment was acquired for City Hall and the Senior Center. The debt requirements due under the terms of all the leases are as follows:

For Years Ending June 30,	
2006	\$ 173,265
2007	175,647
2008	169,463
2009	117,060
2010	117,060
2011-2015	585,300
Minimum lease Payments	<u>1,337,795</u>
Less amount representing interest	<u>(169,795)</u>
Present value of lease payments	<u>\$ 1,168,000</u>

Compensated Absences

Compensated absences at June 30, 2005, amounted to \$1,446,822. Typically, the Self-Insurance Fund (Internal Service Fund) has been used to liquidate the liability for compensated absences. There is no fixed payment schedule for compensated absences.

6. RISK MANAGEMENT

The City is a member of the PARSAC Risk Management Authority (Authority). The Authority is comprised of 35 California member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Each member city has a representative on the Board of Directors. Officers of the Authority are elected annually by the Board of Directors.

General Liability Insurance

Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$100,000 and pays 100% of all losses incurred under \$100,000. The City does not share or pay for losses of other cities under \$100,000. Losses of \$100,000 to \$1,000,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$1,000,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$10,000,000. This cost is also prorated on a payroll basis.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

6. RISK MANAGEMENT, Continued

Workers' Compensation

The Workers' Compensation Program, implemented on July 1, 1990, provides statutory coverage for employee injuries arising out of and in the course of employment. PARSAC is self-insured to \$250,000 per occurrence. Losses of \$250,001 to \$500,000 are covered through the Local Agency Workers' Compensation Excess Pool (LAWCX). Losses in excess of \$500,000 per occurrence are covered through joint purchase of commercial insurance up to statutory limits. The S.I.R. is \$100,000 in the Workers' Compensation Program.

The workers' compensation and general liability claims payable of \$783,714 and \$431,816 reported at June 30, 2004 and 2005, respectively, are based on the requirements of Governmental Accounting Standards Board Statement 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. During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the prior year.

The latest financial information of the Authority for fiscal year ended June 30, 2005, is as follows:

Total assets	\$ 21,171,765
Total liabilities	<u>\$ 10,667,161</u>
Total equities	<u>\$ 10,504,604</u>
Total revenues	<u>\$ 7,685,569</u>
Total expenses	<u>\$ 5,312,125</u>
Expenses over revenues	<u>\$ (2,373,444)</u>

7. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description - The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy - City employees are required by State statute to contribute 7% for miscellaneous employees and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account which amounted to \$169,441 for the year ended June 30, 2005. The City employer is required to contribute for fiscal year 2004-2005 at an actuarially determined rate; the current rate is 0% for miscellaneous employees and 9.786% for safety employees of annual covered payroll. The contribution requirements of City employees and the City employer are established and may be amended by PERS.

City of Ridgecrest
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

7. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Annual Pension Cost – For fiscal year 2004-2005, the City’s annual pension cost of \$516,097 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases range from 3.75% to 14.20% for miscellaneous employees and 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2005 was 30 years for miscellaneous employees and 30 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2003	\$ -	100%	\$ -
6/30/2004	88,828	100%	-
6/30/2005	516,097	100%	-

8. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

Prior period adjustments were recorded to the government-wide financial statements to record capital assets and long-term debt in accordance with the implementation of GASB Statement No. 34 as of July 1, 2004.

	Net Assets, as Previously Reported	Prior Period Adjustment Capital Assets	Net Assets, as Restated
<i>Government-Wide Activities</i>			
Net assets	\$ 74,347,995	\$ 526,465	\$ 74,874,460
Total government-wide activities	\$ 74,347,995	\$ 526,465	\$ 74,874,460

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

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City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

Required Supplementary Information



City of Ridgecrest
Required Supplementary Information
For the year ended June 30, 2005

1. BUDGETARY INFORMATION

The City 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 City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budget amounts within a division of any fund during the budget year as long as it does not increase the total budget within the division. However, any revisions that alter total expenditures of any fund must be approved by the City Council.

Expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at the end of the fiscal year. Supplemental appropriations, which increase appropriations, may be made during the fiscal year.

Budget information is presented 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 Statement, General Fund

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 2,332,526	\$ 2,332,526	\$ 2,332,526	\$ -
Resources (inflows):				
Property taxes	4,593,813	4,593,813	4,900,547	306,734
Intergovernmental revenue	1,663,996	1,690,858	1,506,717	(184,141)
Licenses, fees, and permits	234,285	234,285	447,594	213,309
Current services	572,150	627,150	773,345	146,195
Fines and penalties	81,100	81,100	97,364	16,264
Use of money and property	110,150	110,150	135,537	25,387
Other revenues	86,224	156,174	337,498	181,324
Proceeds from capital lease	-	-	-	-
Transfers in	1,484,363	2,032,596	1,809,371	(223,225)
Amount available for appropriation	8,826,081	9,526,126	10,007,973	481,847
Charges to appropriations (outflows):				
General government	1,938,482	2,210,234	1,826,854	383,380
Public safety	4,037,247	4,155,902	4,211,785	(55,883)
Public works	554,569	669,956	503,733	166,223
Community development	581,962	654,543	358,017	296,526
Health	9,582	16,683	9,531	7,152
Culture and leisure	1,371,957	1,399,536	1,334,848	64,688
Transfers out	1,259,028	1,742,633	1,750,758	(8,125)
Total charges to appropriations	9,752,827	10,849,487	9,995,526	853,961
Excess of resources over (under) charges to appropriations	(926,746)	(1,323,361)	12,447	1,335,808
Fund balance, June 30, 2005	\$ 1,405,780	\$ 1,009,165	\$ 2,344,973	\$ 1,335,808

City of Ridgecrest
Required Supplementary Information, Continued
For the year ended June 30, 2005

Budget Comparison Statement, Ridgecrest Redevelopment Agency

	Original	Final	Amounts	Final Budget
Fund balance, July 1, 2004	\$ 2,533,289	\$ 2,533,289	\$ 2,533,289	\$ -
Resources (inflows):				
Property taxes	2,938,000	2,938,000	3,825,069	887,069
Intergovernmental revenue	145,000	156,486	182,332	25,846
Use of money and property	19,000	19,000	107,243	88,243
Other revenues	-	-	355,780	355,780
Transfers in	2,439,537	2,757,788	3,007,785	249,997
Amount available for appropriation	5,541,537	5,871,274	7,478,209	1,606,935
Charges to appropriations (outflows):				
Community development	1,612,428	1,614,098	885,296	728,802
Debt service:				
Principal	715,000	715,000	715,000	-
Interest	1,238,903	1,238,903	1,214,698	24,205
Transfers out	2,889,850	3,222,408	3,289,579	(67,171)
Total charges to appropriations	6,456,181	6,790,409	6,104,573	685,836
Excess of resources over (under) charges to appropriations	(914,644)	(919,135)	1,373,636	2,292,771
Fund balance, June 30, 2005	\$ 1,618,645	\$ 1,614,154	\$ 3,906,925	\$ 2,292,771

Budget Comparison Statement, Capital Improvements Fund

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 384,632	\$ 384,632	\$ 384,632	\$ -
Resources (inflows):				
Intergovernmental revenue	-	395,155	387,562	(7,593)
Use of money and property	-	-	10,410	10,410
Other revenues	-	1,154	1,154	-
Transfers in	-	68,587	68,587	-
Amount available for appropriation	-	464,896	467,713	2,817
Charges to appropriations (outflows):				
General government	-	12,900	12,900	-
Public works	-	214,926	255,681	(40,755)
Health	-	18,153	18,152	1
Culture and leisure	-	33,728	34,087	(359)
Total charges to appropriations	-	279,707	320,820	(41,113)
Excess of resources over (under) charges to appropriations	-	185,189	146,893	(38,296)
Fund balance, June 30, 2005	\$ 384,632	\$ 569,821	\$ 531,525	\$ (38,296)

City of Ridgecrest
Required Supplementary Information, Continued
For the year ended June 30, 2005

2. DEFINED BENEFIT PENSION PLAN

A schedule of funding progress for the past three actuarial valuations is presented below.

Public Employee Retirement System

Miscellaneous Plan

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2002	\$ 13,934,964	\$ 11,373,554	\$ (2,561,410)	122.5%	\$ 2,688,059	(95.3)%
CalPERS Risk Pool Information (See comment below)						
6/30/2003	2,372,879,034	2,596,966,545	224,087,511	91.4%	725,020,458	00000030.9%
6/30/2004	2,460,944,656	2,746,095,668	285,151,012	89.6%	743,691,970	00000038.3%

Police Plan

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2002	\$ 10,367,936	\$ 9,808,172	\$ (559,764)	105.7%	\$ 1,430,717	(39.1)%
CalPERS Risk Pool Information (See comment below)						
6/30/2003	1,083,690,137	1,218,082,935	134,392,798	89.0%	184,098,257	73.0%
6/30/2004	885,549,650	996,203,370	110,653,720	88.9%	149,407,703	74.1%

In 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the Schedule of the Funding Progress for the City is no longer available.

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

Supplemental Information



City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

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City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005
Non-Major Governmental Funds



City of Ridgecrest
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	Special Revenue					
	State Gas Tax	Park Development	TDA Street Fund	Nutrition Grant Fund	Supplemental Law Enforcement	Business Development Center
ASSETS						
Cash and investments	\$ 112,945	\$ 13,512	\$ 397	\$ 3,169	\$ 3,718	\$ 2,702
Cash with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	19	-	-
Interest receivable	-	83	2	-	1,012	17
Interfund receivable	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Total assets	\$ 112,945	\$ 13,595	\$ 399	\$ 3,188	\$ 4,730	\$ 2,719
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 36,885	\$ -	\$ -	\$ -	\$ -	\$ 2,619
Salaries payable	7,308	-	-	-	-	-
Interfund payable	-	-	-	-	-	-
Deposits	-	-	-	-	-	100
Total liabilities	44,193	-	-	-	-	2,719
Fund Balances:						
Reserved:						
Encumbrances	75,552	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Total reserved	75,552	-	-	-	-	-
Unreserved, undesignated						
Special revenue	(6,800)	13,595	399	3,188	4,730	-
Capital projects	-	-	-	-	-	-
Total unreserved, undesignated	(6,800)	13,595	399	3,188	4,730	-
Total fund balances	68,752	13,595	399	3,188	4,730	-
Total liabilities and fund balances	\$ 112,945	\$ 13,595	\$ 399	\$ 3,188	\$ 4,730	\$ 2,719

Special Revenue			Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
Business Park	AB 2928 Traffic Relief	Community Partnership	City Debt Service	Sub-Standard Streets Improvements	
\$ 31,700	\$ 1	\$ -	\$ -	\$ 129,878	\$ 298,022
-	-	-	97,000	-	97,000
-	-	-	-	-	19
-	-	10	-	794	1,918
-	-	-	-	-	-
-	-	-	-	10,241	10,241
<u>\$ 31,700</u>	<u>\$ 1</u>	<u>\$ 10</u>	<u>\$ 97,000</u>	<u>\$ 140,913</u>	<u>\$ 407,200</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,504
-	-	-	-	-	7,308
-	-	10	-	-	10
-	-	-	-	-	100
-	-	10	-	-	46,922
-	-	-	-	-	75,552
-	-	-	-	10,241	10,241
-	-	-	97,000	-	97,000
-	-	-	97,000	10,241	85,793
31,700	1	-	-	-	46,813
-	-	-	-	130,672	130,672
31,700	1	-	-	130,672	177,485
31,700	1	-	97,000	140,913	263,278
<u>\$ 31,700</u>	<u>\$ 1</u>	<u>\$ 10</u>	<u>\$ 97,000</u>	<u>\$ 140,913</u>	<u>\$ 310,200</u>

City of Ridgecrest
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2005

	Special Revenue					
	State	Park	TDA Street	Nutrition	Supplemental	Business
	Gas Tax	Development	Fund	Grant Fund	Law Enforcement	Development Center
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	449,736	-	-	-	100,000	-
Use of money and property	(191)	267	396	62	2,842	16,068
Assessment revenues	1,738	-	-	-	-	-
Miscellaneous	5,937	-	-	-	-	-
Total revenues	457,220	267	396	62	102,842	16,068
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Public safety	157,506	-	-	-	750	-
Transportation	698,515	-	-	-	-	-
Community development	-	-	-	-	-	23,985
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	856,021	-	-	-	750	23,985
REVENUE OVER						
(UNDER) EXPENDITURES	(398,801)	267	396	62	102,092	(7,917)
OTHER FINANCING SOURCES						
(USES):						
Proceeds from capital lease	-	-	-	-	-	-
Transfers in	835,316	-	-	-	-	7,917
Transfers out	(404,188)	-	-	-	(161,741)	-
Total other financing sources (uses)	431,128	-	-	-	(161,741)	7,917
Net change in fund balances	32,327	267	396	62	(59,649)	-
FUND BALANCES:						
Beginning of year	36,425	13,328	3	3,126	64,379	-
End of year	\$ 68,752	\$ 13,595	\$ 399	\$ 3,188	\$ 4,730	\$ -

Special Revenue			Debt Service Fund	Capital Projects	Total Other Governmental Funds
Business Park	AB 2928 Traffic Relief	Community Partnership	City Debt Service	Sub-Standard Streets Improvements	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	549,736
-	1	31	-	1,563	21,039
-	-	-	-	-	1,738
-	-	-	-	104,400	110,337
-	1	31	-	105,963	682,850
-	-	-	-	-	-
-	-	-	-	24,840	24,840
-	-	-	-	-	158,256
-	-	-	-	-	698,515
-	-	-	-	-	23,985
-	-	-	-	-	-
-	-	-	129,167	-	129,167
-	-	-	56,249	-	56,249
-	-	-	185,416	24,840	1,091,012
-	1	31	(185,416)	81,123	(408,162)
-	-	-	97,000	-	97,000
-	-	-	185,416	-	1,028,649
-	-	(1,590)	-	-	(567,519)
-	-	(1,590)	282,416	-	558,130
-	1	(1,559)	97,000	81,123	149,968
31,700	-	1,559	-	59,790	210,310
\$ 31,700	\$ 1	\$ -	\$ 97,000	\$ 140,913	\$ 360,278

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

State Gas Tax - Special Revenue Fund

For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 36,425	\$ 36,425	\$ 36,425	\$ -
Resources (inflows):				
Intergovernmental	430,565	430,565	449,736	19,171
Use of money and property	100	100	(191)	(291)
Assessment revenue	-	-	1,738	1,738
Miscellaneous	-	-	5,937	5,937
Transfer in	839,902	839,902	835,316	(4,586)
Amount available for appropriation	1,270,567	1,270,567	1,292,536	21,969
Charges to appropriations (outflows):				
Public safety	150,000	157,507	157,506	1
Public works	-	-	-	-
Transportation	729,135	778,117	698,515	79,602
Transfers out	391,432	410,705	404,188	6,517
Total charges to appropriations	1,270,567	1,346,329	1,260,209	86,120
Excess of resources over (under) charges to appropriations	-	(75,762)	32,327	108,089
Fund balance, June 30, 2005	\$ 36,425	\$ (39,337)	\$ 68,752	\$ 108,089

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Park Development - Special Revenue Fund

For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 13,328	\$ 13,328	\$ 13,328	\$ -
Resources (inflows):				
Use of money and property	-	-	267	267
Amount available for appropriation	-	-	267	267
Fund balance, June 30, 2005	\$ 13,328	\$ 13,328	\$ 13,595	\$ 267

City of Ridgecrest
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
TDA Street Fund - Special Revenue Fund
For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 3	\$ 3	\$ 3	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Use of money and property	-	-	396	396
Assessment revenues	-	-	-	-
Amount available for appropriation	-	-	396	396
Charges to appropriations (outflows):				
Transfers out	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess of resources over (under) charges to appropriations	-	-	396	396
Fund balance, June 30, 2005	\$ 3	\$ 3	\$ 399	\$ 396

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Nutrition Grant Fund - Special Revenue Fund

For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 3,126	\$ 3,126	\$ 3,126	\$ -
Resources (inflows):				
Intergovernmental	-	-	-	-
Use of money and property	-	-	62	62
Amount available for appropriation	-	-	62	62
Fund balance, June 30, 2005	\$ 3,126	\$ 3,126	\$ 3,188	\$ 62

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Supplemental Law Enforcement - Special Revenue Fund For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 64,379	\$ 64,379	\$ 64,379	\$ -
Resources (inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	-	-	2,842	2,842
Amount available for appropriation	100,000	100,000	102,842	2,842
Charges to appropriations (outflows):				
Public safety	-	751	750	(1)
Capital outlay	-	-	-	-
Transfers out	100,000	164,379	161,741	2,638
Total charges to appropriations	100,000	164,379	162,491	1,888
Excess of resources over (under) charges to appropriations	-	(64,379)	(59,649)	4,730
Fund balance, June 30, 2005	\$ 64,379	\$ -	\$ 4,730	\$ 4,730

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Business Development Center - Special Revenue Fund For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Use of money and property	10,000	16,239	16,068	(171)
Transfer in	-	-	7,917	7,917
Amount available for appropriation	10,000	16,239	23,985	7,746
Charges to appropriations (outflows):				
Community development	27,630	27,630	23,985	3,645
Total charges to appropriations	27,630	27,630	23,985	3,645
Excess of resources over (under) charges to appropriations	(17,630)	(11,391)	-	11,391
Fund balance, June 30, 2005	\$ (17,630)	\$ (11,391)	\$ -	\$ 11,391

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Business Park - Special Revenue Fund

For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2005	\$ 31,700	\$ 31,700	\$ 31,700	\$ -
Resources (inflows):				
Intergovernmental	-	-	-	-
Amount available for appropriation	-	-	-	-
Charges to appropriations (outflows):				
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess of resources over (under) charges to appropriations	-	-	-	-
Fund balance, June 30, 2005	\$ 31,700	\$ 31,700	\$ 31,700	\$ -

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

AB 2928 Traffic Relief - Special Revenue Fund

For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Use of money and property	-	-	1	1
Amount available for appropriation	-	-	1	1
Charges to appropriations (outflows):				
Transfers out	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess of resources over (under) charges to appropriations	-	-	1	1
Fund balance, June 30, 2005	\$ -	\$ -	\$ 1	\$ 1

City of Ridgecrest
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Partnership - Special Revenue Fund
For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 1,559	\$ 1,559	\$ 1,559	\$ -
Resources (inflows):				
Use of money and property	-	-	31	31
Amount available for appropriation	-	-	31	31
Charges to appropriations (outflows):				
Transfers out	-	-	1,590	(1,590)
Total charges to appropriations	-	-	1,590	(1,590)
Excess of resources over (under) charges to appropriations	-	-	(1,559)	(1,590)
Fund balance, June 30, 2005	\$ 1,559	\$ 1,559	\$ -	\$ 31

City of Ridgecrest
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
City Debt Service - Debt Service Fund
For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Miscellaneous	-	-	-	-
Transfers in	-	-	185,416	185,416
Amount available for appropriation	-	-	185,416	185,416
Charges to appropriations (outflows):				
Debt service:				
Principal	-	-	129,167	(129,167)
Interest	-	-	56,249	(56,249)
Total charges to appropriations	-	-	185,416	(185,416)
Excess of resources over (under) charges to appropriations	-	-	-	-
Fund balance, June 30, 2005	\$ -	\$ -	\$ -	\$ -

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Sub-Standard Streets Improvements - Capital Projects Fund For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2004	\$ 59,790	\$ 59,790	\$ 59,790	\$ -
Resources (inflows):				
Use of money and property	-	-	1,563	1,563
Miscellaneous	-	-	104,400	104,400
Amount available for appropriation	-	-	105,963	105,963
Charges to appropriations (outflows):				
Public works	-	-	24,840	(24,840)
Total charges to appropriations	-	-	24,840	(24,840)
Excess of resources over (under) charges to appropriations	-	-	81,123	81,123
Fund balance, June 30, 2005	\$ 59,790	\$ 59,790	\$ 140,913	\$ 81,123

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

Capital Assets



City of Ridgecrest
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source*
June 30, 2005

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 4,107,722
Buildings and improvements	25,669,218
Machinery and equipment	3,978,466
Infrastructure	<u>86,059,601</u>
Total governmental funds capital assets	<u>119,815,007</u>
Accumulated depreciation	
Buildings and improvements	(13,759,011)
Machinery and equipment	(3,115,943)
Infrastructure	(43,285,207)
Total accumulated depreciation	<u>(60,160,161)</u>
Total governmental funds capital assets, net	<u><u>\$ 59,654,846</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General fund	\$ 7,696,494
Special revenue funds	<u>112,118,513</u>
Total governmental funds capital assets	<u>119,815,007</u>
Accumulated depreciation	
General fund	(3,668,721)
Special revenue funds	(56,491,440)
Total accumulated depreciation	<u>(60,160,161)</u>
Total governmental funds capital assets, net	<u><u>\$ 59,654,846</u></u>

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Ridgecrest
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity*
June 30, 2005

	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Total
GOVERNMENTAL FUNDS					
CAPITAL ASSETS:					
General government	\$ 2,167,767	\$ 1,710,765	\$ 2,472,358	\$ -	\$ 6,350,890
Public safety	-	-	987,464	-	987,464
Transportation	-	-	-	83,515,242	83,515,242
Community development	1,939,955	12,092,609	11,623	2,544,360	16,588,547
Culture & Leisure	-	11,865,844	507,020	-	12,372,864
Total governmental funds capital assets	4,107,722	25,669,218	3,978,465	86,059,602	119,815,007
Accumulated depreciation					
General government	-	(428,832)	(1,970,643)	-	(2,399,475)
Public safety	-	(2,373)	(783,152)	-	(785,525)
Transportation	-	-	-	(43,124,064)	(43,124,064)
Community development	-	(7,265,964)	(614)	(161,143)	(7,427,721)
Culture & Leisure	-	(6,061,842)	(361,534)	-	(6,423,376)
Total governmental funds capital assets, net	\$ 4,107,722	\$ 11,910,207	\$ 862,522	\$ 42,774,395	\$ 59,654,846

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Ridgecrest

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets By Function and Activity*

For the year ended June 30, 2005

	Balance July 1, 2004	Additions	Retirements or Transfers	Inventory Adjustments	Balance June 30, 2005
FUNCTION AND ACTIVITY:					
General government	\$ 6,294,294	\$ 129,148	\$ (72,552)	\$ -	\$ 6,350,890
Public safety	904,446	83,018	-	-	987,464
Transportation	82,810,499	704,743	-	-	83,515,242
Community development	16,607,719	11,623	(30,795)	-	16,588,547
Culture & Leisure	12,315,039	57,825	-	-	12,372,864
Total governmental funds capital assets	118,931,997	986,357	(103,347)	-	119,815,007
Accumulated depreciation					
General government	(2,285,965)	(168,184)	54,674	-	(2,399,475)
Public safety	(710,165)	(75,360)	-	-	(785,525)
Transportation	(40,776,725)	(2,347,340)	-	-	(43,124,065)
Community development	(6,538,530)	(889,190)	-	-	(7,427,720)
Culture & Leisure	(6,335,976)	(87,400)	-	-	(6,423,376)
Total governmental funds capital assets	(56,647,361)	(3,567,474)	54,674	-	(60,160,161)
Governmental funds capital assets, net					
General government	4,008,329	(39,036)	(17,878)	-	3,951,415
Public safety	194,281	7,658	-	-	201,939
Transportation	42,033,774	(1,642,597)	-	-	40,391,177
Community development	10,069,189	(877,567)	(30,795)	-	9,160,827
Culture & Leisure	5,979,063	(29,575)	-	-	5,949,488
Total governmental funds capital assets, net	\$ 62,284,636	\$ (2,581,117)	\$ (48,673)	\$ -	\$ 59,654,846

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

Fiduciary Funds



City of Ridgecrest
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust Funds		
	Parks and Recreation Donation	Senior Donation	Total
ASSETS			
Cash and investments	\$ 16,228	\$ 81	\$ 16,309
Interest receivable	99	1	100
Total assets	\$ 16,327	\$ 82	\$ 16,409
NET ASSETS			
Unreserved, undesignated	16,327	82	16,409
Total net assets	\$ 16,327	\$ 82	\$ 16,409

City of Ridgecrest
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Trust Funds
For the year ended June 30, 2005

	Private Purpose Trust Funds		
	Park & Recreation Donation	Senior Donation	Total
REVENUES:			
Use of property and money	\$ 321	\$ 3	\$ 324
Total revenues	321	3	324
NET ASSETS:			
Beginning of year	16,006	79	16,085
End of year	<u>\$ 16,327</u>	<u>\$ 82</u>	<u>\$ 16,409</u>

City of Ridgecrest
Statement of Changes in Assets and Liabilities
All Agency Funds
June 30, 2005

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 678,886	\$ 21,759	\$ -	\$ 700,645
Account receivable	2,613	6,129	-	8,742
Interest receivable	1,439	2,085	-	3,524
Sewer assessment receivable	370,996	-	(84,440)	286,556
Total assets	\$ 1,053,934	\$ 29,973	\$ (84,440)	\$ 999,467
Liabilities:				
Accounts payable	\$ 370,228	\$ -	\$ (329,939)	\$ 40,289
Interest payable	-	287,187	-	287,187
Due to bondholder - special assessment	683,706	-	(11,715)	671,991
Total liabilities	\$ 1,053,934	\$ 287,187	\$ (341,654)	\$ 999,467

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2005

Statistical Section



CITY OF RIDGECREST - STATISTICAL SECTION

This part of the City of Ridgecrest's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health

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Financial Trends - These schedules contain trend information to help the reader understand how the City of Ridgecrest's financial performance and well being have changed over time

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Sources: Unless otherwise noted, the information in these schedules is derived from the City's comprehensive annual financial reports for the relevant year

CITY OF RIDGECREST

Schedule 1

Net Assets by Component

Last Two Fiscal Years (accrual basis of accounting)

	FISCAL YEARS	
	2005	2004
Governmental activities		
Invested in capital assets, net of related debt	\$ 38,924,688	\$ 41,091,665
Restricted	6,582,149	302,406
Unrestricted	1,657,163	5,095,753
Total governmental activities net assets	<u>47,164,000</u>	<u>46,489,824</u>
Business type activities		
Invested in capital assets, net of related debt	16,045,165	18,098,541
Restricted	-	
Unrestricted	12,271,560	9,759,630
Total business type activities net assets	<u>28,316,725</u>	<u>27,858,171</u>
Primary government		
Invested in capital assets, net of related debt	54,969,853	59,190,206
Restricted	6,582,149	302,406
Unrestricted	13,928,723	14,855,383
Total primary government net assets	<u>\$ 75,480,725</u>	<u>\$ 74,347,995</u>

CITY OF RIDGECREST

Schedule 2

Changes in Net Assets

Last Two Fiscal Years (accrual basis of accounting)

	FISCAL YEARS	
	2005	2004
Expenses		
Governmental activities:		
General government	\$ 3,633,285	\$ 2,610,200
Public safety	4,600,609	4,247,413
Public works	5,102	503,305
Transportation	3,202,007	2,983,211
Community development	1,362,832	1,384,567
Health	45,893	36,697
Culture and leisure	1,473,004	2,109,798
Interest and fiscal agent fees	1,265,420	1,300,781
Total governmental activities expenses	<u>15,588,152</u>	<u>15,175,972</u>
Business type activities:		
TDA Transit	519,590	505,599
Wastewater	1,006,344	958,436
Total business type activities expenses	<u>1,525,934</u>	<u>1,464,035</u>
Total primary government expenses	<u>\$ 17,114,086</u>	<u>\$ 16,640,007</u>
Program Revenues		
Governmental activities:		
General government	237,313	390,724
Public safety	390,336	305,217
Public works	-	-
Transportation	797,298	1,144,717
Community development	530,726	886,742
Health	49	-
Culture and leisure	459,679	399,820
Interest and fiscal agent fees	-	-
Total governmental activities program revenues	<u>2,415,401</u>	<u>3,127,220</u>
Business type activities:		
TDA Transit	168,143	137,409
Wastewater	1,978,225	1,833,614
Total business type activities program revenues	<u>2,146,368</u>	<u>1,971,023</u>
Total primary government program revenues	<u>\$ 4,561,769</u>	<u>\$ 5,098,243</u>

CITY OF RIDGECREST

Schedule 2

Changes in Net Assets

Last Two Fiscal Years (accrual basis of accounting)

	FISCAL YEARS	
	2005	2004
Net (Expense)/Revenue		
Governmental activities	(13,172,751)	(12,048,752)
Business type activities	620,434	506,988
Total primary government net expense	<u>\$ (12,552,317)</u>	<u>\$ (11,541,764)</u>
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes		
Property taxes	4,452,522	3,445,492
Sales taxes	2,807,751	2,705,467
Special assessments	1,738	349
Other taxes	3,019,446	2,709,319
Investment earnings	203,827	129,142
Miscellaneous	1,831,295	997,998
Transfers	1,051,811	431,912
Total governmental activities	<u>13,368,390</u>	<u>10,419,679</u>
Business type activities:		
Other taxes	586,019	579,761
Investment earnings	255,984	186,175
Miscellaneous	0	0
Transfers	(1,051,811)	(431,912)
Total business type activities	<u>(209,808)</u>	<u>334,024</u>
Total primary government	<u>\$ 13,158,582</u>	<u>\$ 10,753,703</u>
Change in Net Assets		
Governmental activities	195,639	(1,629,073)
Business type activities	410,626	841,012
Total primary government	<u>\$ 606,265</u>	<u>\$ (788,061)</u>

CITY OF RIDGECREST

Schedule 3

Fund Balances of Governmental Funds

Last Two Fiscal Years (modified accrual basis of accounting)

	FISCAL YEARS	
	2005	2004
General fund		
Reserved	\$ -	\$ 536,280
Unreserved	2,344,973	1,796,246
Total general fund	<u>2,344,973</u>	<u>2,332,526</u>
All other governmental funds		
Reserved	-	2,647,904
Unreserved, reported in:		
Special revenue funds	122,365	99,787
Debt service fund	4,003,925	648,107
Capital projects funds	672,438	(267,567)
Total all other governmental fund	<u>\$ 4,798,728</u>	<u>\$ 3,128,231</u>

CITY OF RIDGECREST

Schedule 4

Changes in Fund Balances of Governmental Funds

Last Two Fiscal Years (modified accrual basis of accounting)

	FISCAL YEARS	
	<u>2005</u>	<u>2004</u>
Revenues		
Taxes	\$ 8,725,616	\$ 7,657,442
Intergovernmental	2,626,347	3,253,013
Licenses, permits and fees	447,594	245,025
Charges for services	773,345	623,191
Fines and forfeitures	97,364	104,260
Use of money and property	274,229	202,816
Assessment revenues	1,738	349
Other revenue	901,769	318,051
Total revenues	<u>13,848,002</u>	<u>12,404,147</u>
Expenditures		
General Government	2,337,292	2,245,850
Public safety	4,370,041	3,862,446
Public works	286,716	549,946
Transportation	698,515	562,118
Community development	1,267,298	1,115,528
Health	27,683	8,669
Culture and leisure	1,368,935	1,263,589
Capital outlay	-	1,109,864
Debt service:		
Principal	844,167	792,923
Interest	1,270,947	1,312,023
Total expenditures	<u>12,471,594</u>	<u>12,822,956</u>
Excess of revenues over (under) expenditures	<u>1,376,408</u>	<u>(418,809)</u>
Other financing sources (uses)		
Proceeds from capital lease	-	170,735
Transfers in	5,914,392	4,367,282
Transfers out	(5,607,856)	(4,007,988)
Total other financing sources (uses)	<u>306,536</u>	<u>530,029</u>
Net change in fund balances	<u>\$ 1,682,944</u>	<u>\$ 111,220</u>
Debt service as a percentage of non-capital expenditures	17.0%	18.0%

CITY OF RIDGECREST
Governmental Activities Tax Revenues by Source
Last Two Fiscal Years (accrual basis of accounting)

	FISCAL YEARS	
	<u>2005</u>	<u>2004</u>
Sources of Tax Revenues		
Business licenses	137,732	122,445
Franchise fees	559,011	581,400
Property tax	4,345,312	3,343,907
Sales tax	2,807,752	2,705,466
Transient Occupancy tax	875,808	773,190
Gas tax	-	131,034
Total	<u>8,725,616</u>	<u>7,657,442</u>

CITY OF RIDGECREST

Schedule 5

Assessed Value and Actual Value of Taxable Property

Last Two Fiscal Years

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Residential</u> <u>Property</u>	<u>Commercial</u> <u>Property</u>	<u>Industrial</u> <u>Property</u>	<u>Other Real</u> <u>Property</u>	<u>Less:</u> <u>Tax Exempt</u> <u>Property</u>	<u>Total Taxable</u> <u>Assessed</u> <u>Value</u>	<u>Total</u> <u>Direct</u> <u>Tax Rate</u>
2005	\$ 717,329,904	\$ 133,123,341	\$ 9,625,561	\$ 129,147,546	\$ 38,391,514	\$ 950,834,838	1.0092
2004	635,860,945	129,042,467	9,393,843	113,490,385	38,224,128	849,563,512	1.0118

Source: HdL Coren & Cone

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to the actual value. Tax rates are per \$1,000 of assessed value.

CITY OF RIDGECREST

Schedule 6

Direct and Overlapping Property Tax Rates

Last Two Fiscal Years

CITY DIRECT RATES

Fiscal Year	Basic Tax Rate	Kern Community College District Obligation	Total Direct
2004-2005	1.00000	0.00918	1.00918
2003-2004	1.00000	0.01180	1.01180

Notes: Basic Tax Rates Distribution by Government/Agency

	County's Share	Education's Share	City of Ridgecrest	Total
2005	0.33636	0.56756	0.09608	1.00000
2004	0.26000	0.68800	0.05200	1.00000

Source: Kern County Auditor-Controller; Basic Tax Rates Breakdown - MBIA

CITY OF RIDGECREST

Schedule 7

Top Ten Principal Property Taxpayers

Last Two Fiscal Years

<u>Taxpayer</u>	<u>2005</u>			<u>2004</u>		
	<u>Taxable</u>	<u>Rank</u>	<u>Percentage of</u>	<u>Taxable</u>	<u>Rank</u>	<u>Percentage of</u>
	<u>Assessed</u>		<u>Total Taxable</u>	<u>Assessed</u>		<u>Total Taxable</u>
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
1402 Alta Vista Partners LLC	\$ 11,535,390	1	1.21%	\$ -		0.00%
Home Depot USA Inc	8,917,002	2	0.94%	-		0.00%
Carriage Inn	7,600,000	3	0.80%	7,600,000	1	0.89%
Drummond Medical Group, Inc	6,612,625	4	0.70%	6,640,084	4	0.78%
Wal-Mart Stores Inc	6,927,126	5	0.73%	6,839,579	3	0.81%
Ridgecrest Heritage Inn	6,211,243	6	0.65%	6,687,363	2	0.79%
Albertsons, Inc	6,409,033	7	0.67%	5,885,308	5	0.69%
Ridgecrest Capital Limited Partnership	4,626,402	8	0.49%	4,632,441	7	0.55%
Dayton Hudson Corporation	4,557,996	9	0.48%			
Heritage Center LLC	4,518,638	10	0.48%			
William G. Ayyad Trust				4,904,792	6	0.58%
Mervyns				4,492,793	8	0.53%
First Berkshire Properties LLC				4,350,000	9	0.51%
Ridgecrest Healthcare Investment				3,842,939	10	0.45%
TOTALS	\$ 67,915,455		7.14%	\$ 55,875,299		6.58%

Source: HdL Coren & Cone

CITY OF RIDGECREST
Schedule 8
Property Tax Levies and Collections
Last Two Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections
		Amount	Percentage of Levy	
2005	\$ 6,298,307	\$ 6,242,271	99.11%	\$ 56,036
2004	5,330,720	5,280,681	99.06%	50,039

Source: Kern County Auditor-Controller

CITY OF RIDGECREST
Schedule 9
Ratios of Outstanding Debt by Type
Last Two Fiscal Years

Fiscal Year	GOVERNMENTAL ACTIVITIES					Total Primary Government	Percentage of Personal Income a	Per Capita a
	General	Redevelopment	Special	Loans	Capital			
	Obligation Bonds	Bonds	Assessment Bonds	Payable	Lease			
2005	\$ -	\$ 19,355,000	\$ 405,000	\$ 1,400,000	\$ 1,167,060	\$ 22,327,060	4.88%	\$ 843
2004	-	20,070,000	485,000	1,600,000	1,135,552	23,290,552	4.53%	\$ 901

a) See Schedule 14 Demographic and Economic Statistics for personal income and population data

CITY OF RIDGECREST

Schedule 10

Ratios of General Bonded Debt Outstanding

Last Two Fiscal Years

Fiscal Year	GOVERNMENTAL ACTIVITIES			Total	Percentage of Taxable Assessed Property Values a	Per Capita b
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds			
2005	-	19,355,000	405,000	19,760,000	2.08%	\$ 746
2004	-	20,070,000	485,000	20,555,000	2.42%	\$ 795

a) See Schedule 5 - Assessed Value and Actual Value of Taxable Property

b) See Schedule 14 - Demographic and Economic Statistics for personal income and population data

CITY OF RIDGECREST

Schedule 11

Direct and Overlapping Governmental Activities Debt

Last Two Fiscal Years

	Fiscal Year 2005			Fiscal Year 2004		
	Debt Outstanding 6/30/2005	% Applicable	Share of Overlapping Debt	Debt Outstanding 6/30/2004	% Applicable	Share of Overlapping Debt
OVERLAPPING TAX AND ASSESSMENT DEBT:						
Kern Community College District School Facilities Improvement District	\$ 779,514	1.063%	\$ 8,286	\$ 867,710	1.154%	\$ 10,013
Kern Community College District Assessment District	82,747	1.163%	962	124,982	1.265%	1,581
City of Ridgecrest 1915 Act Bonds	405,000	100.000%	405,000	1,530,000	100.000%	1,530,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	1,267,261		414,249	1,267,261		1,541,594
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:						
Kern County Certificates of Participation	912,390	1.000%	9,124	1,154,453	1.075%	12,410
Kern County Pension Obligations	4,959,791	1.000%	49,598	5,381,870	1.075%	57,855
Kern County Board of Education Certificates of Participation	962,400	1.000%	9,624	1,045,276	1.075%	11,237
Kern County Community College District Certificates of Participation	814,373	0.947%	7,712	885,908	1.025%	9,081
Sierra Sands Joint Unified School District Certificates of Participation	3,004,170	61.624%	1,851,290	3,163,855	63.025%	1,994,020
City of Ridgecrest Certificates of Participation	9,250,000	100.000%	9,250,000	9,475,000	100.000%	9,475,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	19,903,124		11,177,348	21,106,362		11,559,602
COMBINED TOTAL DEBT	<u>\$ 21,170,385</u> ¹		<u>\$ 11,591,596</u>	<u>\$ 22,373,623</u> ¹		<u>\$ 13,101,197</u>

Source: California Municipal Statistics, Inc.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Ridgecrest. This process recognizes that, when considering the City's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non bonded capital lease obligations.

CITY OF RIDGECREST
Schedule 12
Legal Debt Margin Information
Last Two Fiscal Years

Legal Debt Margin Calculation	<u>FY 2005</u>	<u>FY 2004</u>
Assessed value	\$ 950,834,838	\$ 849,563,512
Debt limit (15% of assessed value)	142,625,226	127,434,527
Debt applicable to limit:		
General obligation bonds	0	0
Less: Amount set aside for repayment of general obligation debt	0	0
Total net debt applicable to limit	0	0
Legal Debt Margin	142,625,226	127,434,527
Total debt applicable to the limit as a percentage of debt limit	0.00%	0.00%

Notes: Under State Finance Law, the City's outstanding general obligation debt should not exceed 15% of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF RIDGECREST
Schedule 13
Pledged Revenue Coverage
Last Two Fiscal Years

REDEVELOPMENT BONDS

Fiscal Year	Net Property Tax Increment	Debt Service		Coverage
		Principal	Interest	
2005	4,588,460	715,000	1,164,698	2.44
2004	3,547,966	690,000	1,237,983	1.84

SPECIAL ASSESSMENT BONDS

Fiscal Year	Special Assessment Collections	Current Account Balance	Debt Service		Coverage
			Principal	Interest	
2005	109,046	125,700	80,000	36,803	2.01
2004	105,976	125,700	75,000	43,158	1.96

CITY OF RIDGECREST
Schedule 14
Demographic and Economic Statistics
Last Two Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Personal Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	26,493	457,348,659	17,263	37	5,889	4.60%
2004	25,842	514,333,326	19,903	n/a	5,813	5.70%

Source: Population - California Department of Finance
School Enrollment - California Department of Education (includes only the school district and charter school enrollment)
Unemployment Rate - California Labor Market
n/a = not available

CITY OF RIDGECREST
Schedule 15
Principal Employers
Last Two Fiscal Years (as of Sep 30)

<u>Employer</u>	<u>2005</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Naval Air Weapons Station China Lake (3213 civilians & 880 military)	4093	1	30.5%	4093	1	31.2%
Searles Valley Minerals	625	2	4.7%	625	2	4.8%
Sierra Sands Unified School District	620	3	4.6%	620	3	4.7%
Ridgecrest Regional Hospital	340	4	2.5%	340	4	2.6%
Wyle Laboratories	280	5	2.1%			
SA-Tech (System Applic. & Tech)	187	6	1.4%			
Wal-Mart	184	7	1.4%	184	6	1.4%
Cerro Coso Community College	175	8	1.3%	175	7	1.3%
Desert Area Resources and Training	164	9	1.2%			
Alta One Federal Credit Union	161	10	1.2%	161	8	1.2%
Advanced Information Engineering Services				280	5	2.1%
L-3 Communications, Government Services				150	9	1.1%
City of Ridgecrest				134	10	1.0%
			51.0%			51.6%

Source: Ridgecrest Chamber of Commerce

CITY OF RIDGECREST

Schedule 16

Full Time Equivalent City Government Employees by Function/Program

Last Four Fiscal Years (As of June 30)

FUNCTION/PROGRAM	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government				
City Council	5	5	5	5
City Manager	2.5	2	2	2
City Clerk	1	1	1	1
Finance	8.5	11	11	8
Human Resources	1	1	1	1
Community Development	5	12	11.5	13.5
Public Safety				
Police Officers-Sworn	30	30.5	33	33
Other Full Time Employees	26	25.46	23.58	21.92
Public Works				
Engineering	4	2	4	4
Maintenance	7	8	9	7.1
Transit Services	8.5	8.5	8	0
Wastewater/Sewer	5	5	5.91	6
Culture & Recreation	23.86	23.54	34.37	32.64
Grant Funded Programs				
Work Investment Act	3.48	3.48	3.98	6.56

CITY OF RIDGECREST

Schedule 17

Operating Indicators by Function/Program

Last Two Fiscal Years (As of June 30)

FUNCTION/PROGRAM	<u>2005</u>	<u>2004</u>
Police		
Physical Arrests	2078	1935
Parking Violations	216	252
Traffic Violations	2844	2887
Community Development		
Building Permits Issued	465	473
Building Permits Valuation (in millions)	23	16
Building Inspections Performed	2557	2039
Planning Permits Issued	113	86
Public Services		
Street Resurfacing (miles)	2	0.5
Street Light Replacement ^a	n/a	n/a
Potholes Filled	2000	1500
Waste Water Average Daily Treatment (millions of gallons)	2.54	2.36
Transit Route (Service) Miles	112052	110947
Transit Passenger Count	40374	38775
Parks & Recreation		
Sports Field Participation	87564	87518
Community Center/Gym/Pool Participation	94933	74996
Other Participation	36738	37170

a) Street light replacement is done by Southern California Edison

CITY OF RIDGECREST

Schedule 18

Capital Asset Statistics by Function/Program

Last Two Fiscal Years

FUNCTION/PROGRAM	<u>2005</u>	<u>2004</u>
Police		
Stations	1	1
Patrol Units (marked)	13	11
Motorcycle unit	1	0
K-9 unit	1	0
Streets		
Streets (miles)	130	130
Streetlights	337	337
Traffic Signals	7	7
Culture & Recreation		
Total Park Acreage	25.88	25.88
Parks	6	6
Baseball Fields	4	4
Softball Fields	3	3
Soccer Fields	4	4
Football Fields	1	1
Tennis Courts	4	4
Swimming Pools	1	1
Community Centers	2	2
Waste Water		
Sanitary Sewers (miles)	220	220
Storm Sewers (miles)	2	2
Treatment Capacity (millions of gallons/day)	3.6	3.6
Transit Services		
Minibuses		
Fixed Route	0	0
Dial A Ride	5	5
Bus Shelters	5	5