



# Ridgecrest Redevelopment Agency

Ridgecrest, California



*Basic Financial Statements and  
Independent Auditors' Report*

*For the Fiscal Year Ended June 30, 2005*

**Ridgecrest Redevelopment Agency**  
**Basic Financial Statements**  
**For the year ended June 30, 2005**

**Table of Contents**

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	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis (Required Supplementary Information)</b> .....	3
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities and Changes in Net Assets .....	9
<b>Fund Financial Statements:</b>	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet .....	14
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances .....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government- Wide Statement of Activities and Changes in Net Assets .....	17
<b>Notes to Basic Financial Statements</b> .....	19
<b>Required Supplementary Information:</b>	
Budgetary Information .....	32
Defined Pension Plan.....	35
<b>Supplementary Information:</b>	
<i>Capital Assets:</i>	
Schedule by Source .....	40
Schedule by Function and Activity .....	41
Schedule of Changes by Function and Activity .....	42
<b>Independent Auditors' Compliance Report</b> .....	43

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
of the Ridgecrest Redevelopment Agency  
Ridgecrest, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest, California (City), as of and for the year ended June 30, 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States. 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2005, and the respective changes in financial position 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).

The 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.

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.

*Caporicci & Larson*

Costa Mesa, California  
October 13, 2005

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**Redevelopment Agency of the City of Ridgecrest  
Management's Discussion and Analysis  
For the year ended June 30, 2005**



The discussion and analysis of the Redevelopment Agency's (Agency's) financial performance provides an overall review of the Agency's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report ending June 30, 2004, to enhance their understanding of the Agency's financial performance. This is the ongoing implementation a new reporting format in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

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

**BASIS OF ACCOUNTING AND FUND GROUPINGS**

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

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

**FINANCIAL DISCUSSION**

Under the Governmental Funds statements, the Agency reported an excess of revenues over expenditures of \$1,655,430 this compares to an excess of expenditures over revenues of \$670,725 in the prior year and \$513,714 from two fiscal years back. The total fund balance at June 30, 2005 was \$3.9 million. Total reserved fund balance at June 30, 2005 was \$3.81 million. These reservation include \$2.5 million for debt service, \$1.3 million, and (\$0.44 million) for encumbrances. Total unreserved fund balance in the current year was \$0.91 million.

This compares to total fund balance at June 30, 2004 of \$2.5 million with \$1.8 million reserved and \$648,107 unreserved. This compares to a prior year fund balance of \$2.3 million, with \$1.9 million reserved and \$301,748 unreserved. Reservations represent amounts set aside to fund commitments of outstanding encumbrances, current debt service, and the "RLF" unspent loan proceeds from the City of Ridgecrest.

Net Tax increment revenue increased by 30.42% in fiscal year 2005, to \$4.007 million from \$3.072 million in 2003-04 and from \$2.57 million in fiscal year 2002-03. The increase is related to overall development and rising values in the project area.

**Redevelopment Agency of the City of Ridgecrest  
 Management's Discussion and Analysis, Continued  
 For the year ended June 30, 2005**



Fiscal Year	2000-01	2001-02	2002-03	2003-04	2004-05
Tax increment	\$2,381,734	\$2,434,673	\$2,573,435	\$3,072,582	\$4,007,401

Total revenue for fiscal year 2005 was \$4.47 million of which 89.6% was tax increment, 2.4% was investment and rental revenue, and 7.96% was other revenue. This compares to 2004 revenue which was \$3.2 million, of which 96.26% was tax increment revenue, 2.1% was investment and rental earnings, and 1.6 % was miscellaneous revenue.

Total expenditures for fiscal year 2005 \$2.8 million. Expenditures were composed of Community Development \$885,296 which includes economic development loans and other support o public-private development initiatives; and \$1.9 million for repayments of long-term debt, interest, and fiscal agent cost. This should be compared to the prior fiscal year expenditures. Total expenditures for fiscal year 2004 \$2.5 million. Expenditures were composed of Community Development \$576,077 which includes economic development loans and other support o public-private development initiatives; and \$1.9 million for repayments of long-term debt, interest, and fiscal agent cost. Further, fiscal year 2003 expenditures which were \$3.2 million. The expenditures were made up of \$1.2 million for community development which includes economic development loans and other support to public-private development initiatives; \$1.9 million for repayments of long-term debt, interest, and issuance costs.

A few of the Redevelopment Agency highlights for fiscal year 2004-5 include the following:

- Ongoing work for the Ridgecrest Business Park, which is largely a grant funded project in cooperation with the Federal Economic Development Administration as well as the State Department of Trade and Commerce.
- Sale of Business Park Property - for the development of a new restaurant complex;
- Sale of Business Park Property to a variety of local and external developers;
- Expansion by the Ridgecrest Regional Hospital.
- 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

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Agency's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Ridgecrest, Administrative Services Department, 100 W. California, Ridgecrest, California 93555.

## **BASIC FINANCIAL STATEMENTS**

***RPA***

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# Ridgecrest Redevelopment Agency

## Statement of Net Assets

June 30, 2005

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	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 3,398,970
Cash with fiscal agents	1,865,888
Accounts receivable	610,970
Interest receivable	19,664
Total current assets	<u>5,895,492</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	1,939,955
Depreciable	12,092,609
Total capital assets	<u>14,032,564</u>
Less accumulated depreciation	<u>(6,458,808)</u>
Capital assets, net	<u>7,573,756</u>
Total noncurrent assets	<u>7,573,756</u>
<b>Total assets</b>	<u>13,469,248</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	78,847
Salaries payable	3,354
Deposits	2,500
Unearned revenue	503,866
Interest payable	192,021
Long term debt, due within one year	750,000
Note payable, due within one year	200,000
Total current liabilities	<u>1,730,588</u>
Long-term liabilities:	
Long term debt, due in more than one year	18,605,000
Note payable, due in more than one year	1,200,000
Total long-term liabilities	<u>19,805,000</u>
<b>Total liabilities</b>	<u>21,535,588</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(11,973,265)
Restricted for:	
Debt service	1,865,888
Unrestricted	2,041,037
<b>Total net assets (deficit)</b>	<u>\$ (8,066,340)</u>

See accompanying Notes to Basic Financial Statements.

**Ridgecrest Redevelopment Agency**  
**Statement of Activities and Changes in Net Assets**  
**June 30, 2005**

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating	Capital		
			Grants and Contributions	Grants and Contributions		
<b>Primary government:</b>						
<b>Governmental activities:</b>						
Community development	\$ 1,268,940	\$ -	\$ -	\$ -	\$ -	\$ (1,268,940)
Interest and fiscal agent fees on long term debt	1,211,163	-	-	-	-	(1,211,163)
<b>Total governmental activities</b>	<b>\$ 2,480,103</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(2,480,103)</b>
<b>General revenues:</b>						
Property taxes						4,007,401
Investment earnings						107,243
Miscellaneous						237,668
<b>Transfers</b>						<b>(281,794)</b>
<b>Total general revenues and transfers</b>						<b>4,070,518</b>
(Gain) loss on sale of assets						87,317
<b>Change in net assets</b>						<b>1,677,732</b>
<b>Net assets - beginning of year</b>						<b>(9,744,072)</b>
<b>Net assets - end of year</b>						<b>\$ (8,066,340)</b>

***RIA***

**FUND FINANCIAL STATEMENTS**

*Governmental Fund Financial Statements*

***RIA***

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**Ridgecrest Redevelopment Agency**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	Major Funds			Total Governmental Funds
	Housing Set Aside Special Revenue	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash and investments	\$ 1,024,063	\$ 486,555	\$ 1,888,352	\$ 3,398,970
Cash with fiscal agent	-	1,865,888	-	1,865,888
Accounts receivable	496,971	107,103	6,896	610,970
Interest receivable	7,729	-	11,935	19,664
<b>Total assets</b>	<b>\$ 1,528,763</b>	<b>\$ 2,459,546</b>	<b>\$ 1,907,183</b>	<b>\$ 5,895,492</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 78,847	\$ 78,847
Salaries payable	1,374	-	1,980	3,354
Deposits	-	-	2,500	2,500
Deferred revenue	496,971	-	6,895	503,866
Note payable	-	1,400,000	-	1,400,000
<b>Total liabilities</b>	<b>498,345</b>	<b>1,400,000</b>	<b>90,222</b>	<b>1,988,567</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	4,665	-	39,098	43,763
Debt service	573,529	1,865,888	36,000	2,475,417
Capital projects	-	-	1,296,697	1,296,697
<b>Total Reserved</b>	<b>578,194</b>	<b>1,865,888</b>	<b>1,371,795</b>	<b>3,815,877</b>
Unreserved, undesignated	452,224	(806,342)	445,166	91,048
<b>Total fund balances</b>	<b>1,030,418</b>	<b>1,059,546</b>	<b>1,816,961</b>	<b>3,906,925</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,528,763</b>	<b>\$ 2,459,546</b>	<b>\$ 1,907,183</b>	<b>\$ 5,895,492</b>

See accompanying Notes to Basic Financial Statements.

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

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**Total Fund Balances - Total Governmental Funds** \$ 3,906,925

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 the governmental funds.

Nondepreciable	1,939,955
Depreciable	12,092,609
Less accumulated depreciation	<u>(6,458,808)</u>
	<u>7,573,756</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, due within one year	(750,000)
Long-term debt, due in more than one year	<u>(18,605,000)</u>
	<u>(19,355,000)</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.

(192,021)

**Net Assets of Governmental Activities** \$ (8,066,340)

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

	Major Funds			Total Governmental Funds
	Housing Set Aside Special Revenue	Debt Service	Capital Projects	
<b>REVENUES:</b>				
Taxes	\$ -	\$ 3,825,069	\$ -	\$ 3,825,069
Intergovernmental	-	182,332	-	182,332
Use of money and property	36,641	38,422	32,180	107,243
Other revenues	19,930	-	335,850	355,780
<b>Total revenues</b>	<b>56,571</b>	<b>4,045,823</b>	<b>368,030</b>	<b>4,470,424</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	56,912	-	828,384	885,296
Debt service:				
Principal	-	715,000	-	715,000
Interest	-	1,214,698	-	1,214,698
<b>Total expenditures</b>	<b>56,912</b>	<b>1,929,698</b>	<b>828,384</b>	<b>2,814,994</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(341)</b>	<b>2,116,125</b>	<b>(460,354)</b>	<b>1,655,430</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	988,512	824,400	1,194,873	3,007,785
Transfers out	(605,392)	(2,183,385)	(500,802)	(3,289,579)
<b>Total other financing sources (uses)</b>	<b>383,120</b>	<b>(1,358,985)</b>	<b>694,071</b>	<b>(281,794)</b>
<b>Net change in fund balances</b>	<b>382,779</b>	<b>757,140</b>	<b>233,717</b>	<b>1,373,636</b>
<b>FUND BALANCES:</b>				
Beginning of year	647,639	302,406	1,583,244	2,533,289
End of year	\$ 1,030,418	\$ 1,059,546	\$ 1,816,961	\$ 3,906,925

# Ridgecrest Redevelopment Agency

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2005

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Net Change in Fund Balances - Total Governmental Funds \$ 1,373,636

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

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. (383,644)

Proceeds from sale of property provide current financial resources to governmental funds, but sale of property decrease capital assets on government-wide statements (30,795)

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 of principal repayments.

Principal 715,000

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does 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. 3,535

Change in Net Assets of Governmental Activities \$ 1,677,732

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***RPA***

# Ridgecrest Redevelopment Agency

## Notes to Basic Financial Statements

### For the year ended June 30, 2005

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Ridgecrest Redevelopment Agency (Agency) have been prepared in conformity with generally accepted accounting principles (GAAP). 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 Agency's accounting policies are described below.

##### *A. Financial Reporting Entity*

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

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

##### *B. Basis of Accounting and Measurement Focus*

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. 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.

#### **Government-Wide Financial Statements**

The Agency government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency.

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

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

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

**Ridgecrest Redevelopment Agency**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Government-Wide Financial Statements, Continued**

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

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

The Agency 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, 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. The Agency applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**Governmental Fund Financial Statements**

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

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

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*B. Basis of Accounting and Measurement Focus, Continued*

**Governmental Fund Financial Statements, Continued**

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

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

*C. Use of Restricted and Unrestricted Net Assets*

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

*D. 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.

*E. Cash and Investments*

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

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

The Agency 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 determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these investments are subject to market risk as to change in interest rates.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*E. Cash and Investments, Continued*

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

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

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

*F. Capital Assets*

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

Buildings and improvements	15-50 years
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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The Agency did not have any infrastructure capital assets at June 30, 2005.

*G. Long-Term Liabilities*

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*H. 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.

*I. Use of Estimates*

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

*J. Interfund Transactions*

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

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**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	
	Governmental Activities	Total
Cash and investments	\$ 3,398,970	\$ 3,398,970
Restricted cash and investments:	1,865,888	1,865,888
<b>Total</b>	<b>\$ 5,264,858</b>	<b>\$ 5,264,858</b>

The Agency 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 Agency's cash deposits were \$709,814 at June 30, 2005. Bank balances before reconciling items were \$709,814 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the Agency's name is discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Agency'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 Agency's name.

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

The Agency 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.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**2. CASH AND INVESTMENTS, Continued**

***B. Investments***

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

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

The Agency 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 Agency'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 Agency'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 \$2,689,156 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.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**2. CASH AND INVESTMENTS, Continued**

**D. Risk Disclosures**

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

Interest Rate Risk:

Investment type:	Fair Value	Investment Maturities (in years) 1 year or less
Demand accounts	\$ 709,814	\$ 709,814
California Local Agency Investment Fund	2,689,156	2,689,156
Investment held by Fiscal Agents	1,865,888	1,865,888
<b>Total</b>	<b>\$ 5,264,858</b>	<b>\$ 5,264,858</b>

Credit Risk:

	Credit Quality Ratings		Fair Value
	Moody's	Standard & Poor's	
Cash and Investments:			
Cash deposits	Not Rated		\$ 709,814
State Local Agency Investment Fund	Not Rated		2,689,156
Investments held by Fiscal Agents	Not Rated		1,865,888
<b>Total Cash and Investments</b>			<b>\$ 5,264,858</b>

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. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

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

	Government Activities
<i>Non-Depreciable Assets:</i>	
Land	\$ 1,939,955
Total nondepreciable assets	1,939,955
<i>Depreciable Assets:</i>	
Buildings and improvements	12,092,609
Total depreciable assets	12,092,609
Less accumulated depreciation	(6,458,808)
Total depreciable assets, net	5,633,801
<b>Total capital assets</b>	<b>\$ 7,573,756</b>

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**3. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

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

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Land	\$ 1,970,750	\$ -	\$ (30,795)	\$ 1,939,955
Buildings and improvements	12,092,609	-	-	12,092,609
	14,063,359	-	(30,795)	14,032,564
Less accumulated depreciation	(6,075,164)	(383,644)	-	(6,458,808)
<b>Total governmental activities</b>	<b>\$ 7,988,195</b>	<b>\$ (383,644)</b>	<b>\$ (30,795)</b>	<b>\$ 7,573,756</b>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2005 was \$383,644.

**B. Fund Financial Statements**

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

**4. NOTE PAYABLE**

The following is a summary of note payable activity for the year ended June 30, 2005:

Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due within one year	Due in more than one year
\$ 1,600,000	\$ -	\$ (200,000)	\$ 1,400,000	\$ 200,000	\$ 1,200,000
\$ 1,600,000	\$ -	\$ (200,000)	\$ 1,400,000	\$ 200,000	\$ 1,200,000

On June 19, 2002, the Wastewater Enterprise Fund loaned the Ridgecrest Redevelopment Agency Debt Service Fund \$2,000,000 for purposes of paying costs and expenses in connection with implementing the Redevelopment plan. The loan is to be repaid over 10 years.

The annual requirements to amortize the note are as follows:

Year Ending June 30,	Principal	Interest	Total
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
<b>Total</b>	<b>\$ 1,400,000</b>	<b>\$ 280,000</b>	<b>\$ 1,680,000</b>

**Ridgecrest Redevelopment Agency**  
**Notes to the 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:

	Balance			Balance June 30, 2005	Due within one year	Due in more than one year
	July 1, 2004	Additions	Deletions			
2002 Tax Allocation Refunding Bonds	\$ 3,490,000	\$ -	\$ (325,000)	\$ 3,165,000	\$ 340,000	\$ 2,825,000
1999 Refunding Certificate of Participation	9,475,000	-	(225,000)	9,250,000	235,000	9,015,000
1999 Refunding Tax Allocation Bonds	7,105,000	-	(165,000)	6,940,000	175,000	6,765,000
<b>Total</b>	<b>\$ 20,070,000</b>	<b>\$ -</b>	<b>\$ (715,000)</b>	<b>\$ 19,355,000</b>	<b>\$ 750,000</b>	<b>\$ 18,605,000</b>

2002 Tax Allocation Refunding Bonds

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

The 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	
<b>Total</b>	<b>\$ 3,165,000</b>	<b>\$ 715,300</b>	<b>\$ 3,880,300</b>	

1999 Refunding Certificates of Participation

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

**5. LONG-TERM DEBT, Continued**

1999 Refunding Certificates of Participation, Continued

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
<b>Total</b>	<b>\$ 9,250,000</b>	<b>\$ 7,517,105</b>	<b>\$ 16,767,105</b>

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.

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
<b>Total</b>	<b>\$ 6,940,000</b>	<b>\$ 5,648,308</b>	<b>\$ 12,588,308</b>

**6. PUBLIC EMPLOYEE'S RETIREMENT SYSTEM**

The City contributes to the California Public Employee's Retirement System (PERS). PERS acts as a common investment and administrative agency for participating public entities within the State of California. The Agency's employees are covered under this plan as well. A more detailed disclosure of the pension plan may be found in the audited financial statements for the City as of June 30, 2005. These financial statements may be obtained from 100 W. California Avenue Ridgecrest, California 93555.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2005**

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**7. OTHER POST EMPLOYMENT BENEFITS**

The Agency provides post retirement health care benefits to all employees who retire from the Agency. The retirement age and years of service requirements vary based upon which bargaining group the employee is currently a member of. Eight retirees meet these eligibility requirements. The associated cost to the City on behalf of the Agency was \$5,572 in fiscal year 2005.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Agency provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums plus an administration fee is paid in full by the insured for the actual month covered. This program is offered for 18 months after the employee's termination date. There is no associated cost to the Agency under this program.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Ridgecrest Redevelopment Agency**  
**Required Supplementary Information**  
**For the year ended June 30, 2005**

**1. BUDGETARY INFORMATION**

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

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

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

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

**Budget Comparison, Housing Set Aside**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2004</b>	<u>\$ 647,639</u>	<u>\$ 647,639</u>	<u>\$ 647,639</u>	<u>\$ -</u>
Resources (inflows):				
Use of money and property	-	-	36,641	36,641
Other revenues	-	-	19,930	19,930
Transfers in	<u>763,000</u>	<u>988,513</u>	<u>988,512</u>	<u>(1)</u>
Amount available for appropriation	<u>763,000</u>	<u>988,513</u>	<u>1,045,083</u>	<u>56,570</u>
Charges to appropriations (outflows):				
Community development	544,488	522,623	56,912	465,711
Transfers out	<u>713,091</u>	<u>734,956</u>	<u>605,392</u>	<u>129,564</u>
Total charges to appropriations	<u>1,257,579</u>	<u>1,257,579</u>	<u>662,304</u>	<u>595,275</u>
Excess of resources over (under) charges to appropriations	<u>(494,579)</u>	<u>(269,066)</u>	<u>382,779</u>	<u>651,845</u>
<b>Fund balance, June 30, 2005</b>	<u><u>\$ 153,060</u></u>	<u><u>\$ 378,573</u></u>	<u><u>\$ 1,030,418</u></u>	<u><u>\$ 651,845</u></u>

**Ridgecrest Redevelopment Agency**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2005**

**1. BUDGETARY INFORMATION, Continued**

**Budget Comparison, Debt Service**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2004</b>	<u>\$ 302,406</u>	<u>\$ 302,406</u>	<u>\$ 302,406</u>	<u>\$ -</u>
Resources (inflows):				
Taxes	2,938,000	2,938,000	3,825,069	887,069
Intergovernmental	145,000	145,000	182,332	37,332
Use of money and property	19,000	19,000	38,422	19,422
Transfers in	<u>566,843</u>	<u>574,401</u>	<u>824,400</u>	<u>249,999</u>
Amount available for appropriation	<u>3,668,843</u>	<u>3,676,401</u>	<u>4,870,223</u>	<u>1,193,822</u>
Charges to appropriations (outflows):				
Debt service:				
Principal	715,000	715,000	715,000	-
Interest	1,254,463	1,254,463	1,214,698	39,765
Transfers out	<u>1,872,694</u>	<u>2,183,387</u>	<u>2,183,385</u>	<u>(2)</u>
Total charges to appropriations	<u>3,842,157</u>	<u>4,152,850</u>	<u>4,113,083</u>	<u>39,767</u>
Excess of resources over (under) charges to appropriations	<u>(173,314)</u>	<u>(476,449)</u>	<u>757,140</u>	<u>1,233,589</u>
<b>Fund balance, June 30, 2005</b>	<u>\$ 129,092</u>	<u>\$ (174,043)</u>	<u>\$ 1,059,546</u>	<u>\$ 1,233,589</u>

**Ridgecrest Redevelopment Agency**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2005**

**1. BUDGETARY INFORMATION, Continued**

**Budget Comparison, Capital Projects**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2004</b>	<u>\$ 1,583,244</u>	<u>\$ 1,583,244</u>	<u>\$ 1,583,244</u>	<u>\$ -</u>
Resources (inflows):				
Intergovernmental	-	11,486	-	(11,486)
Use of money and property	-	-	32,180	32,180
Other revenue	-	-	335,850	335,850
Transfers in	<u>1,109,694</u>	<u>1,194,874</u>	<u>1,194,873</u>	<u>(1)</u>
Amount available for appropriation	<u>1,109,694</u>	<u>1,206,360</u>	<u>1,562,903</u>	<u>356,543</u>
Charges to appropriations (outflows):				
Community Development	1,052,380	1,075,915	828,384	247,531
Transfers out	<u>304,065</u>	<u>304,065</u>	<u>500,802</u>	<u>(196,737)</u>
Total charges to appropriations	<u>1,356,445</u>	<u>1,379,980</u>	<u>1,329,186</u>	<u>50,794</u>
Excess of resources over (under) charges to appropriations	<u>(246,751)</u>	<u>(173,620)</u>	<u>233,717</u>	<u>407,337</u>
<b>Fund balance, June 30, 2005</b>	<u><u>\$ 1,336,493</u></u>	<u><u>\$ 1,409,624</u></u>	<u><u>\$ 1,816,961</u></u>	<u><u>\$ 407,337</u></u>

**Ridgecrest Redevelopment Agency**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2005**

**2. DEFINED PENSION PLAN**

A schedule of funding progress for the year ended June 30, 2005 including 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	30.9%
6/30/2004	2,460,944,656	2,746,095,668	285,151,012	89.6%	743,691,970	38.3%

**Safety 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.

***RPA***

## **SUPPLEMENTARY INFORMATION**

***RIA***

## **CAPITAL ASSETS**

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

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**GOVERNMENTAL FUNDS CAPITAL ASSETS:**

Land	\$ 1,939,955
Buildings and improvements	12,092,609
<b>Total governmental funds capital assets</b>	<u>14,032,564</u>
Accumulated depreciation	<u>(6,458,808)</u>
<b>Total governmental funds capital assets, net</b>	<u><u>\$ 7,573,756</u></u>

**INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:**

Special revenue funds	\$ 14,032,564
<b>Total governmental funds capital assets</b>	<u>14,032,564</u>
Accumulated depreciation	<u>(6,458,808)</u>
<b>Total governmental funds capital assets, net</b>	<u><u>\$ 7,573,756</u></u>

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

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

	Land	Buildings and Improvements	Total
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>			
Community development	\$ 1,939,955	\$ 12,092,609	\$ 14,032,564
<b>Total governmental funds capital assets</b>	<b>1,939,955</b>	<b>12,092,609</b>	<b>14,032,564</b>
Accumulated depreciation	-	(6,458,808)	(6,458,808)
<b>Total governmental funds capital assets, net</b>	<b>\$ 1,939,955</b>	<b>\$ 5,633,801</b>	<b>\$ 7,573,756</b>

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

**Ridgecrest Redevelopment Agency**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity\***  
**For the year ended June 30, 2005**

	Balance July 1, 2004	Additions	Retirements or Transfers	Balance June 30, 2005
<b>FUNCTION AND ACTIVITY:</b>				
Community development	\$ 14,063,359	\$ -	\$ (30,795)	\$ 14,032,564
<b>Total governmental funds capital assets</b>	<b>14,063,359</b>	<b>-</b>	<b>(30,795)</b>	<b>14,032,564</b>
Accumulated depreciation	(6,075,164)	(383,644)	-	(6,458,808)
<b>Total governmental funds capital assets, net</b>	<b>\$ (6,075,164)</b>	<b>\$ (383,644)</b>	<b>\$ -</b>	<b>\$ 7,573,756</b>

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

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

The Board of Directors  
of the Ridgecrest Redevelopment Agency  
Agency, California

We have audited the basic financial statements of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest (City), as of and for the year ended June 30, 2005, and have issued our report thereon dated October 13, 2005. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the basic financial statements of the Agency are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Controller's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the State Controller. However, this report is a matter of public record and its distribution is not limited.

*Caporicci & Larson*

Costa Mesa, California

October 13, 2005

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