City of Ridgecrest

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006

City of Ridgecrest, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2006

Prepared by:
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City Treasurer
June 30, 2006

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Introductory Section

CITY OF RIDGECREST

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December 27, 2006

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, 2006. 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 Certificates 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 and June 30, 2005. 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 Government Finance Officers Association of the United States and Canada (GFOA) to determine its eligibility for another certificate by the GFOA.

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 a service community for the NAWS has been essential to its successful emergence as a community in its own right, as well as, 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's 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 about 26,500 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.

Retail sales, also an indication of a strong local economy, continue to grow at a moderate rate. The second quarter of 2006 indicated an increase over 2005 of over 2% in retail sales.

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.

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
2006	768	5,850	35.0 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.

The economy continues to be strong with several new retail & office developments now underway. Over 1800 housing units are now fully entitled and approved.

60% of the Ridgecrest Business Park is now under development with 6 new buildings in construction.

China Lake Boulevard, the major transit and commercial corridor, is now seeing development throughout its length with several new smaller retail centers being developed.

Retail vacancy rates continue to fall and are expected to be fewer than 8% for the next fiscal year.

Land values continue to rise for commercial/retail property within the City as commercial land becomes more valuable.

This growth has occurred before the effects of BRAC are felt in the economy. The City continues to position itself as the regional retail center with its continuing growth in this sector.

This year has seen the development of;

- Two new hotels and office developments; Hilton's Hampton Inn & Suites and Grand Stay Hotel & Suites.
- Two new office buildings totaling over 50,000 square feet of Class A office space.
- Four small retail centers throughout the City.
- Four New Restaurants are being developed or completed.
- Several Big Box stores should begin in 2007 including Rite Aid, Wal-Mart Super Center, a new 120,000 square foot retail center as well as two new retail projects on China Lake.

Final BRAC planning should be completed in 2007 with the beginning of implementation, which will provide additional economy growth in 2007 & 2008.

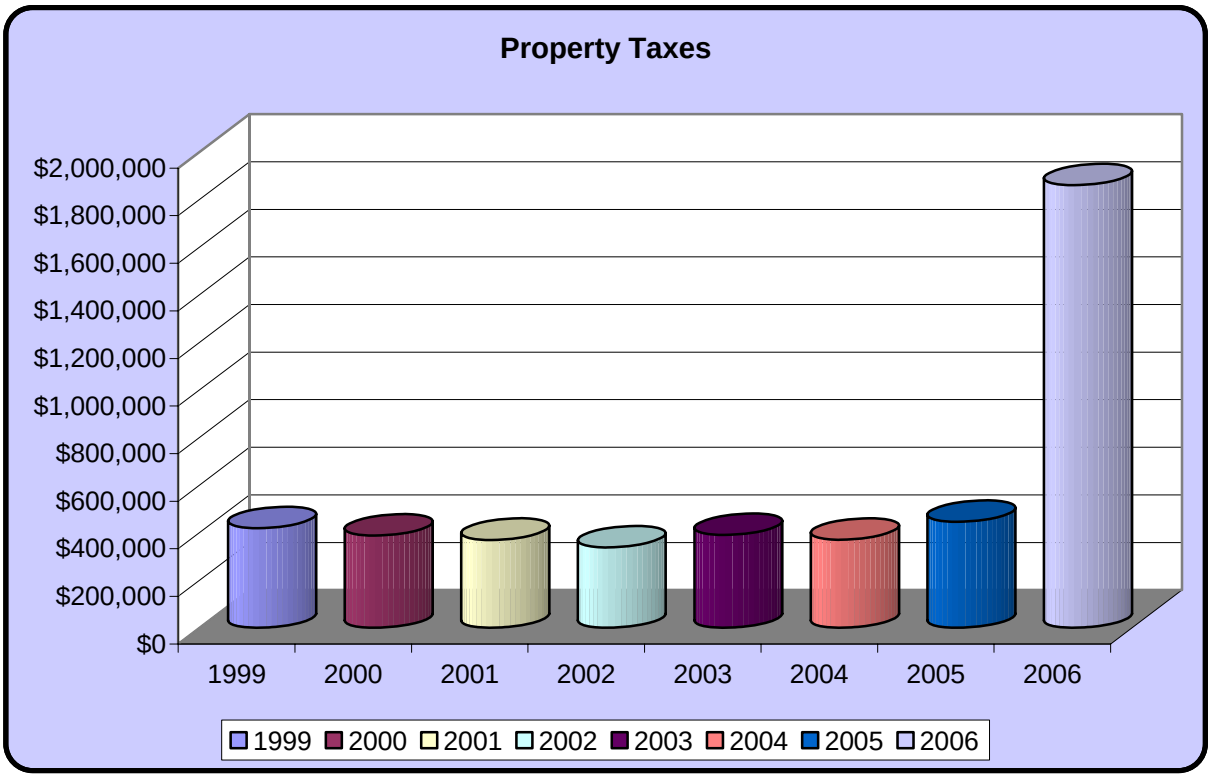
Keeping in mind the economic uncertainties mentioned earlier, the City Council has adopted a conservative budget for fiscal year 2006-2007. It recognizes negative impacts on revenues caused by the state of the economy and the Council's own ongoing requirement for adequate reserves. The City's budget 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 2007.

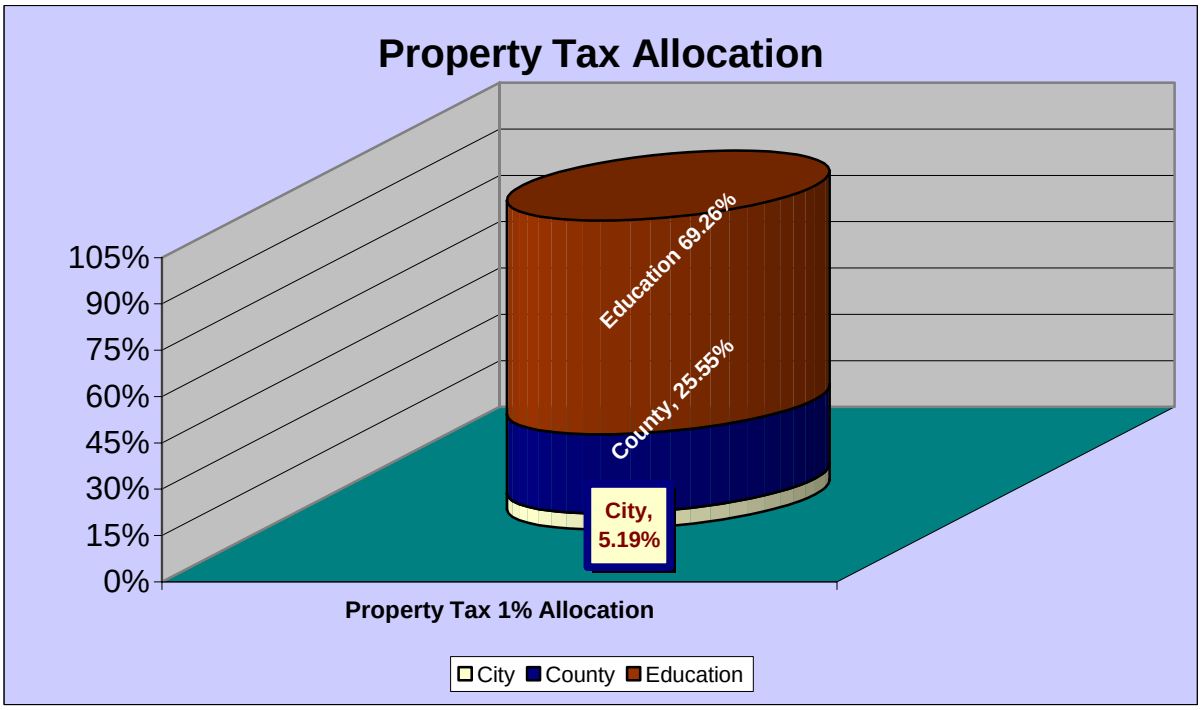
Even with these financially uncertain times, Ridgecrest is better off than most cities, experiencing growth in many of its major revenue categories. The City's four largest revenue sources are property tax, sales tax, Vehicle License Fees, and transient occupancy tax. These major sources are discussed 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 5.2% 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 2005-06, property taxes increase an average of 46.83%. This increase has been due to 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 317% over the previous year. Most of the significant increase relates to the State's Triple Flip payment and the associated reclassification from the payment of *"property tax in lieu of sales tax" to Property Tax.* 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.



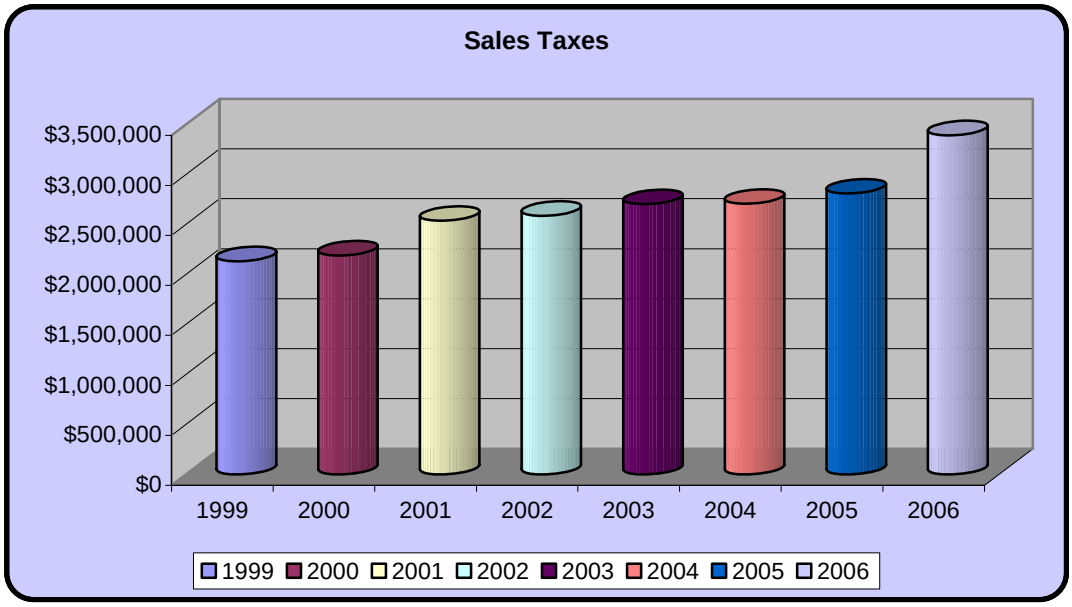


Sales Tax

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 7.10%.

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, there will be a see-saw effect of the prior year impact of the Triple Flip Advance , yet the local retail sales environment remains strong. The most recent sales tax report (second quarter of 2006) indicates growth of 2% over the same period for fiscal year 2005.



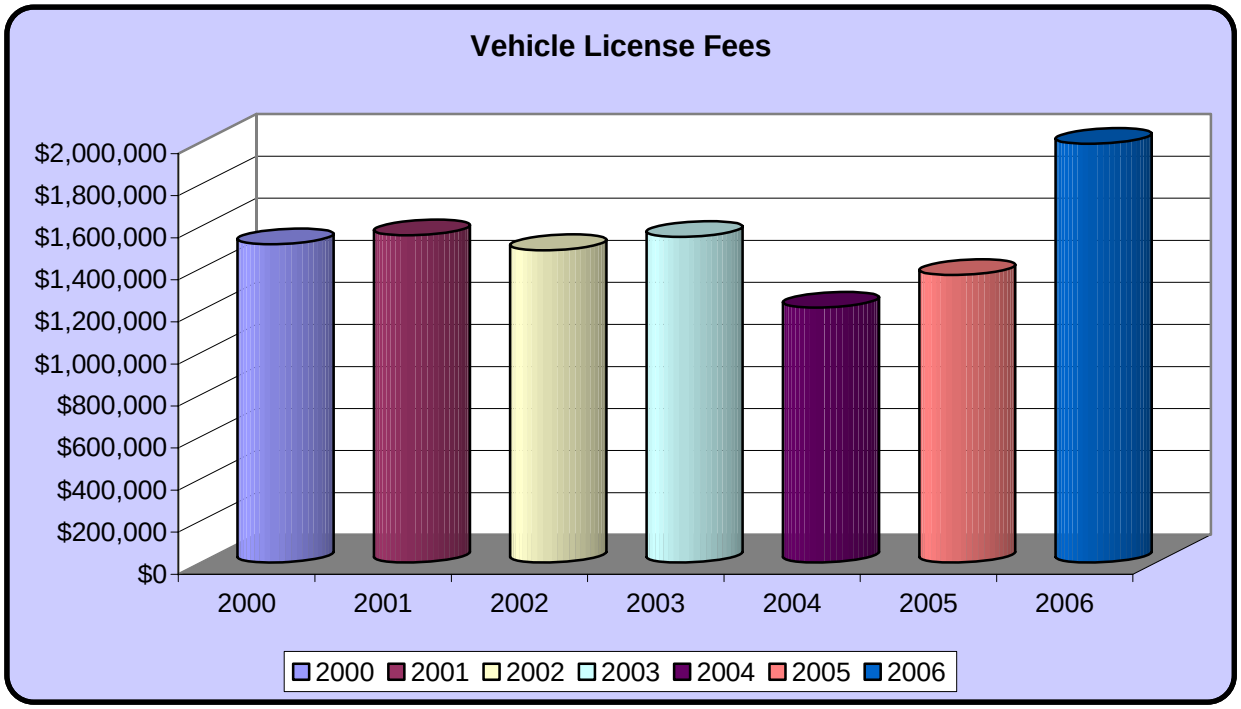
Vehicle License Fees

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.

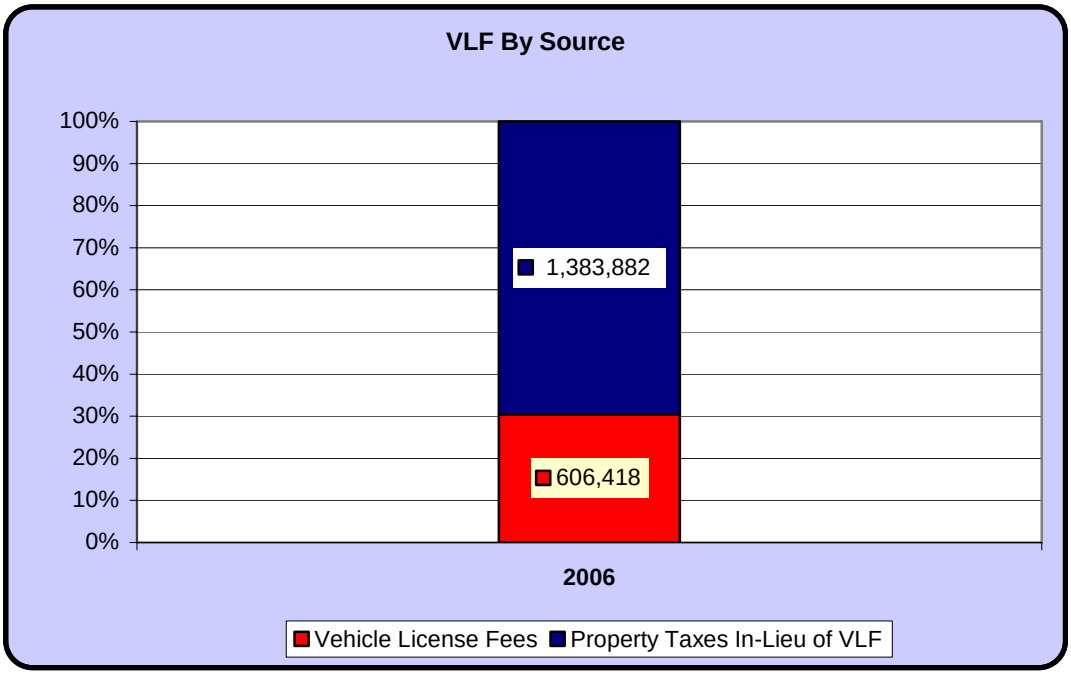
From the millennium through fiscal 2003 VLF has climbed an average of 3.53%. This growth provided a total of $1.547 million to the City in Fiscal Year 2002-03. However, the State of California "borrowed" three months worth of VLF in Fiscal Year 2004, lowering the overall average since the millennium to a negative 1.52%. The average from the millennium through Fiscal Year 2006 has been 7.27%. There was increase over the prior year of 45.73%; 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 2006 the Statutory component (the rate by State law was reduced from 2.0% to 0.65%) brought to the Ridgecrest Treasury $606,418. The Property Tax In-Lieu of VLF receipts totaled $1,383,882.

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 2006 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 2006:

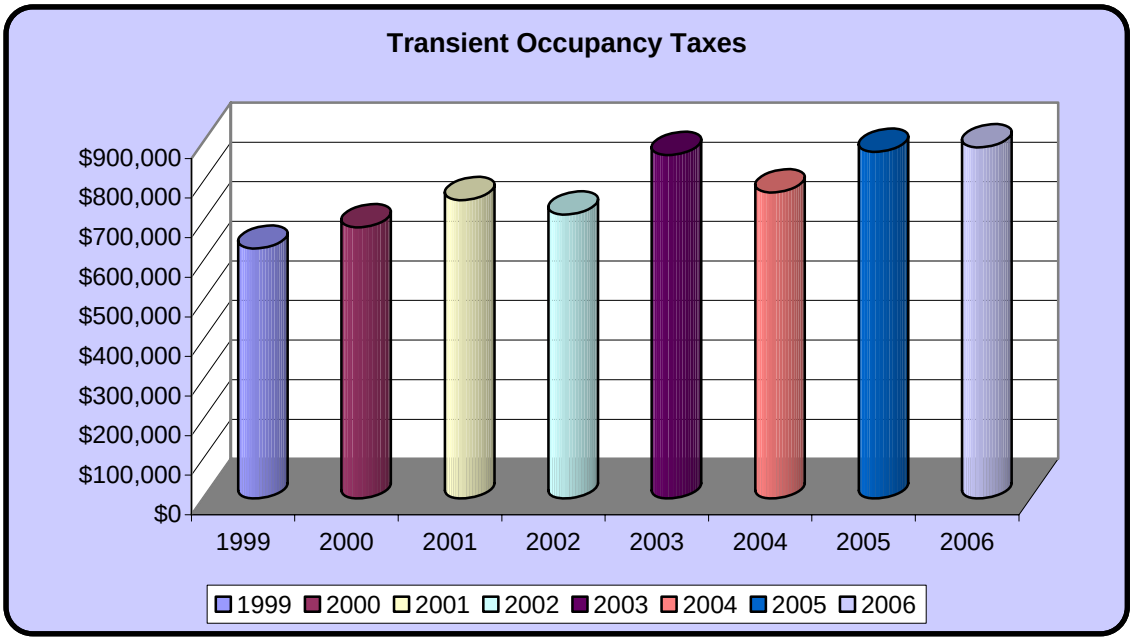


Transient Occupancy Tax

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 Ridgecrest Area Convention and Visitors Bureau (RACVB), the Chamber of Commerce, the City's Community and Economic Development program, as well as other city services.

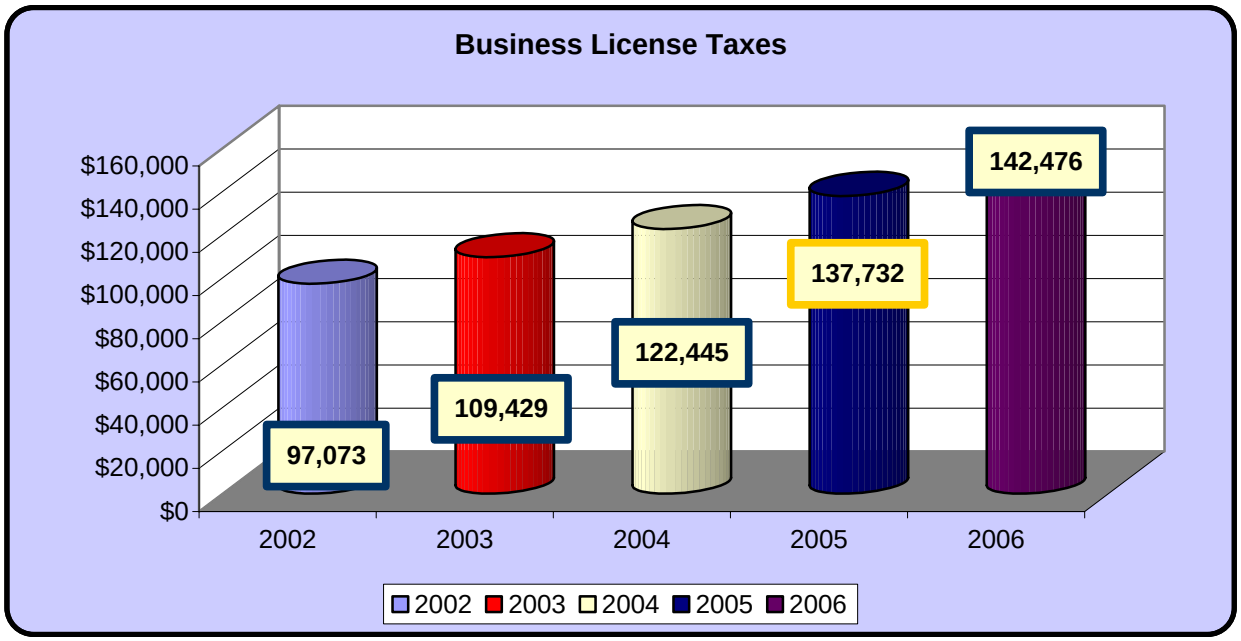
TOT has averaged 5.48% growth rate since Fiscal Year 1998-99. The largest single growth during that period was in the 2002-2003 fiscal year which saw a growth of 21%. During the last fiscal year TOT increased by 1.26%.



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 2006 once again increased to over $142,000. Since Fiscal Year 2003 the average increase has been 10.14% 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, 2006.

The City's investments of $25,133,561 with LAIF at June 30, 2006, included a portion of the pool funds invested in structured notes and asset-backed securities and similar transactions. This compares to $18,838,800 at June 30, 2005 an approximate increase of 33%. 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, 2006, LAIF had invested 2.567% 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 $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.

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. The 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.

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 four (4) fiscal years:

Year	IBNR
2003	214,651
2004	783,714
2005	413,816
2006	532,043

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 2005-2006 the total cost reimbursed was $10,707; this was down from the 2004-2005 reimbursed cost of $42,580.

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 $387,777 for the year ended June 30, 2006. The City employer is required to contribute for fiscal year 2005-2006 at an actuarially determined rate; the current rate is 5.779% for miscellaneous employees and 17.62% 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 8.711% and 19.407% for miscellaneous and safety employees respectively in fiscal year 2006-2007.

Annual Pension Cost – For fiscal year ended June 30, 2006, the City's annual pension cost of $517,752 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% 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 3.00%. 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 fifteen 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, 2004 was 14 years for prior and current service unfunded liability.

AWARDS

The City of Ridgecrest submitted the 2005 Comprehensive Annual Financial report (CAFR) to the California Society of Municipal Finance Officers (CSMFO) and was acknowledged by the receiving of the Outstanding Financial Reporting Award. We also submitted our 2005 Comprehensive Annual Financial Report to the GFOA for their review and received the Certificate of Achievement from the GFOA. The City of Ridgecrest has prepared a Comprehensive Annual Financial report for the 2006 fiscal year. Because of our continued success in reporting with GFOA and recent rule changes by CSMFO we are no longer able to apply for the Outstanding Financial Reporting Award from CSMFO. However, we are still submitting the 2006 CAFR to GFOA for review this year.

In order to receive these awards 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 and Budget Officer, respectively Tess Sloan and W. Tyrell Staheli, whose contributions have 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
Administrative Services Director/
City Treasurer/Agency Treasurer

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, 2005

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

President

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

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.

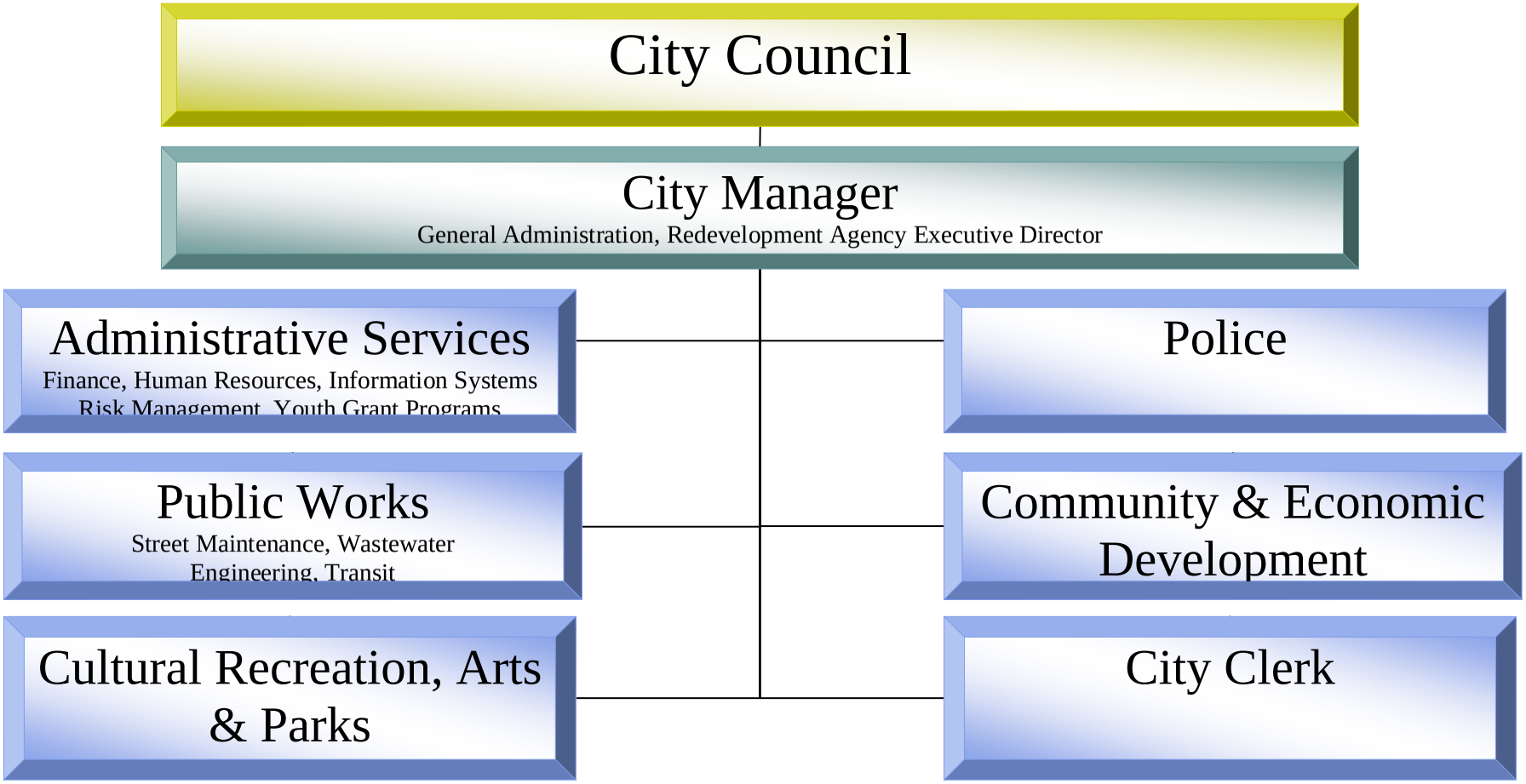
February 24, 2006

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, 2006



City of Ridgecrest

Comprehensive Annual Financial Report

For the Year Ended June 30, 2006

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/Administrative Services Director/City-Agency Treasurer
Michael Avery, Police Chief
James L. McRea, Deputy City Manager – Public Services
Gary Parsons, Director of Community and Economic Development
Rita L. Gable, City Clerk
James B. Ponek, Director of Cultural Recreation Arts and Parks

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

Financial Section

C&L
Caporicci & Larson
Certified Public Accountants

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, 2006, 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. 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, 2006, 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 implemented Statements of the Governmental Accounting Standards Board (GASB) No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits.*

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 inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Toll Free Ph: (877) 862-2200 Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
4858 Mercury, Suite 106
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.

Caporicci & Larson

Irvine, California
October 13, 2006

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, 2006. 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, 2006 by $78.4 million this compared to $75.48 million at fiscal year end June 30, 2005. This is an overall increase of $2.92 million or 3.87% of prior year net assets. Assets for governmental activities exceeded liabilities by $49.36 million and this compares to $47.1 million at June 30, 2005 an increase of 4.8%; Assets for business-type activities exceeded liabilities by $29 million and this compares to $28.3 million at June 30, 2005 an increase of 2.47%.

  Changes in Net Assets – The City's net assets increased $1.98 million in fiscal year 2005-2006; this compared to a $0.654 million increase in fiscal year 2004-2005. Net assets of governmental activities increased by $1.487 million as compared to a 2004-2005 increase of $.196 million. Net assets of business-type activities increased by $0.754 million as compared to an increase of 2004-2005 of $0.458 million.

- *Fund Highlights*

  Governmental Funds – At the close of fiscal year 2005-2006 the City's total governmental funds reported a fund balance of $10.4 million as compared to $7.14 million in 2004-2005, an increase of $3.26 million from the prior year.

  General Fund – The fund balance of the general fund on June 30, 2006 was $2.66 million, an increase of $320,236 from the prior year. It is noted that an additional $635,580 of this amount was designated for capital projects and Public Safety and Community Development activities, an increase of $99,300 from the prior year.

  Redevelopment Agency – The fund balance of the redevelopment fund on June 30, 2006 was $-4 million which compares to $3.9 million, a decrease of $7.9 million from the prior year.

  Capital Improvement Projects Fund – The fund balance of the capital improvement projects fund on June 30, 2006 was $0.717 million as compared to $0.531 million, an increase of $0.186 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, 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 Ridgecrest (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 governmental-wide financial statements can be found on pages 31 and 33.

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 27-33. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 77-84.

- *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 report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units on a cost reimbursement basis. The goal of the internal service funds is to measure the full cost of providing goods or services for the purpose of fully recovering that cost through fees or charges. 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 35-40.

- *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 47-70.

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 71-74.

City of Ridgecrest's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	$ 17,565,008	$ 11,715,762	$ 12,597,513	$ 12,547,508	$ 30,162,521	$ 24,263,270
Capital Assets	57,408,668	59,654,845	16,761,833	16,045,166	74,170,501	75,700,011
Total Assets	74,973,676	71,370,607	29,359,346	28,592,674	104,333,022	99,963,281
Current Liabilities	4,548,629	3,100,102	317,731	275,949	4,866,360	3,376,051
Long-term Liabilities	21,068,724	21,106,505	-	-	21,068,724	21,106,505
Total Liabilities	25,617,353	24,206,607	317,731	275,949	25,935,084	24,482,556
Investments in Capital Assets, Net of Related Debt	36,723,055	38,924,688	16,761,833	16,045,166	53,484,888	54,969,854
Restricted	9,423,134	6,582,149	-	-	9,423,134	6,582,149
Unrestricted	3,210,134	1,657,163	12,279,782	12,271,559	15,489,916	13,928,722
Total Net Assets	$ 49,356,323	$ 47,164,000	$ 29,041,615	$ 28,316,725	$ 78,397,938	$ 75,480,725

Net Assets

The chart above reflects the City's combined net assets (governmental and business-type activities) which total $78.4 million at the close of fiscal year ending June 30, 2006.

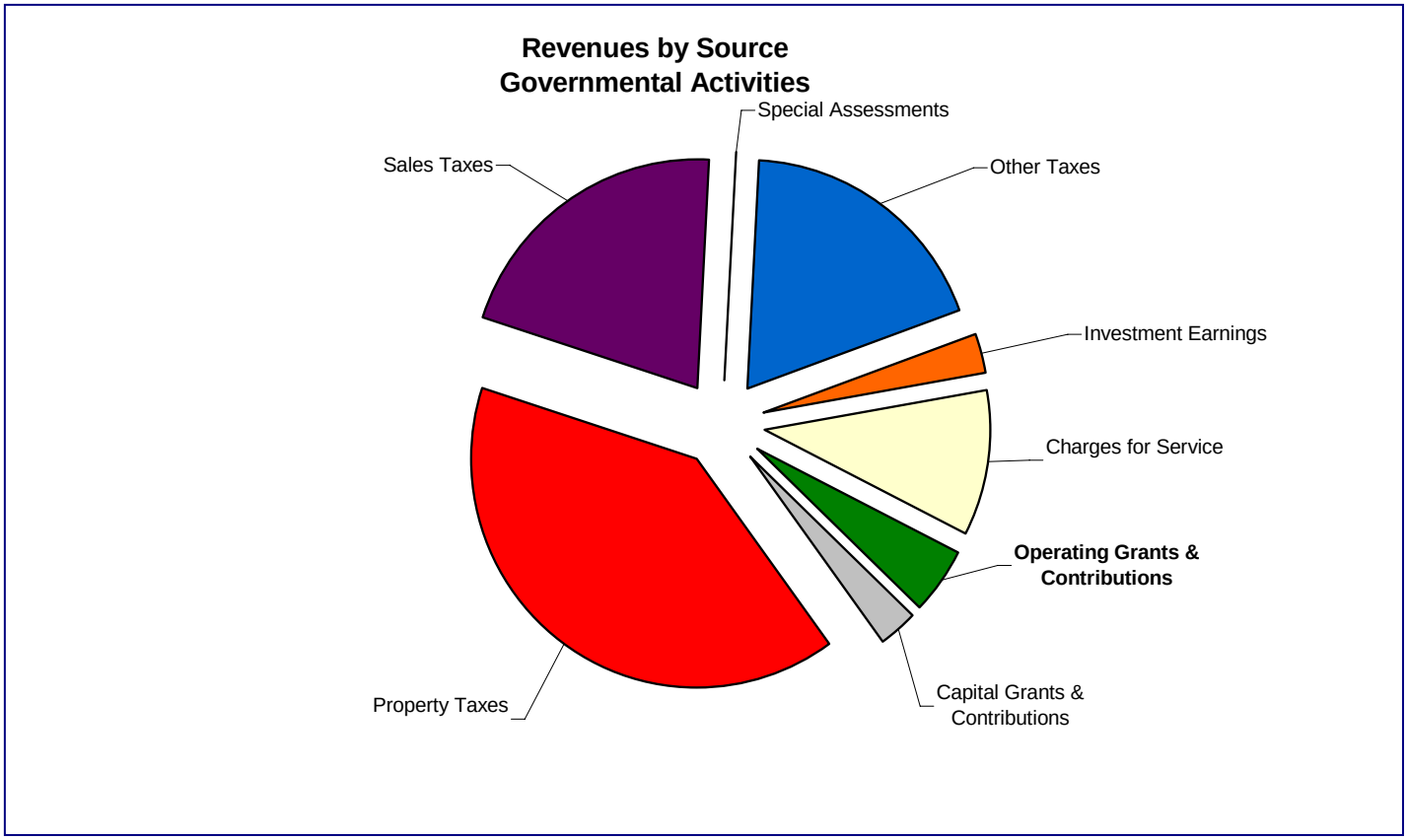
By far, the largest portion of the City's total net assets (71.09%) reflects its investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide 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.

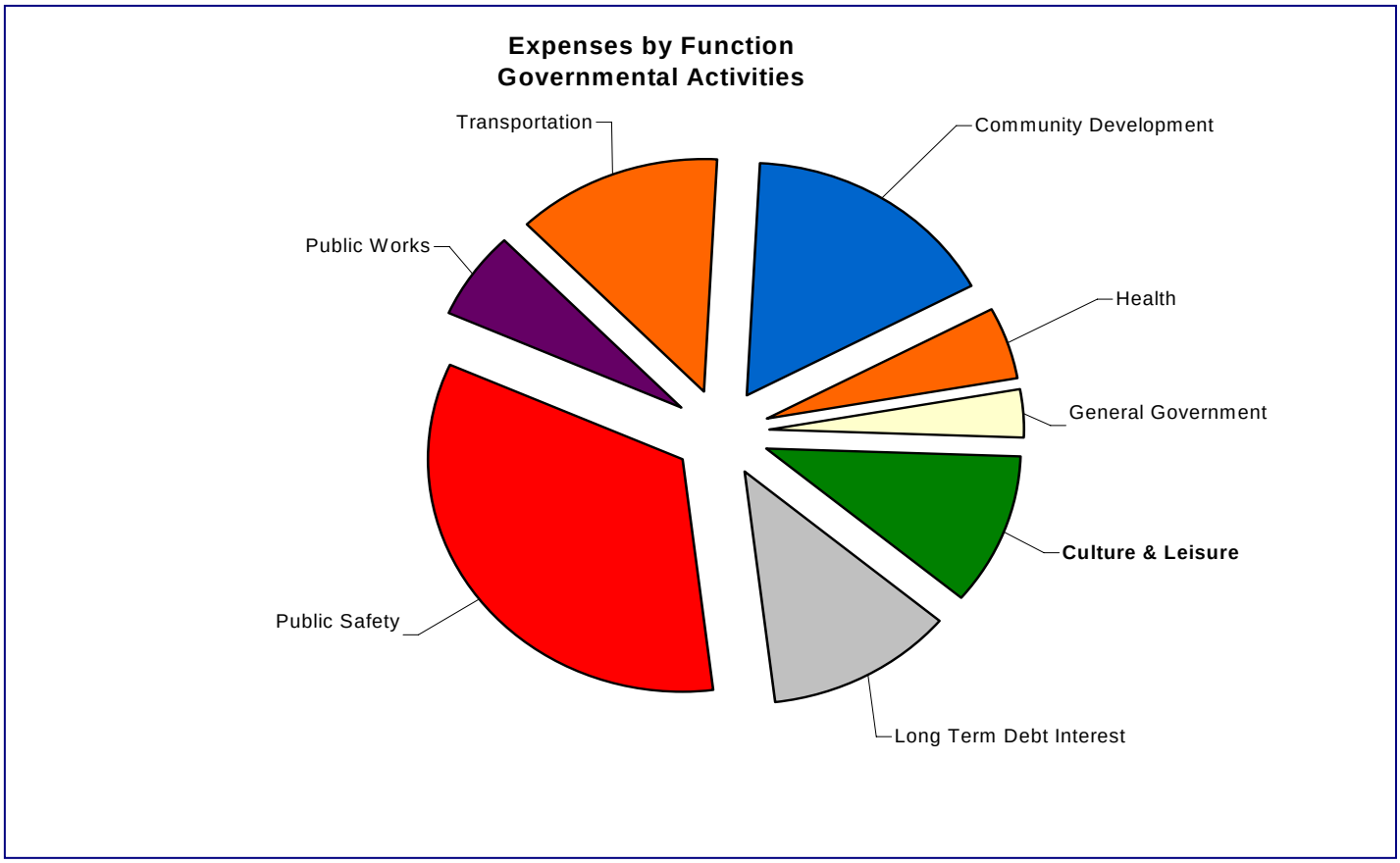
The remaining City net assets (28.91%) represent resources that are subject to external restrictions (e.g., capital projects, community development, debt services, and special projects) and resources that are unrestricted to meet the City's ongoing obligations to citizens and creditors.

At the end of the fiscal year 2005-06, 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 $2.917 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 $1.49M, and the business-type activities showed an increase in net assets of $.754M. This compares to a prior year increase in governmental activities of $.196M and an increase in business-type activities of $0.458M. 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
Special Assessments
Sales Taxes
Other Taxes
Investment Earnings
Charges for Service
Operating Grants & Contributions
Capital Grants & Contributions
Property Taxes


Expenses by Function
Governmental Activities
Transportation
Community Development
Public Works
Health
General Government
Culture & Leisure
Public Safety
Long Term Debt Interest

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	$ 1,681,128	$ 1,343,160	$ 2,198,218	$ 2,111,605	$ 3,879,346	$ 3,454,765
Operating grants and contributions	763,657	684,679	-	34,763	763,657	719,442
Capital grants and contributions	432,633	387,562	-	-	432,633	387,562
Total program revenues	2,877,418	2,415,401	2,198,218	2,146,368	5,075,636	4,561,769
General revenues:						
Property taxes	6,520,691	4,452,522	-	-	6,520,691	4,452,522
Sales taxes	3,392,280	2,807,751	-	-	3,392,280	2,807,751
Other taxes	3,007,834	3,021,184	718,734	586,019	3,726,568	3,607,203
Investment earnings	454,613	203,827	502,255	255,984	956,868	459,811
Gain (loss) on sale of assets	809,326	-	-	-	809,326	-
Other revenues	2,171,014	1,831,295	13,388	-	2,184,402	1,831,295
Total general revenues	16,355,758	12,316,579	1,234,377	842,003	17,590,135	13,158,582
Total revenues	19,233,176	14,731,980	3,432,595	2,988,371	22,665,771	17,720,351
Expenses:						
General government	1,788,039	3,135,747	-	-	1,788,039	3,135,747
Public safety	5,977,850	4,600,609	-	-	5,977,850	4,600,609
Public works	1,144,047	502,640	-	-	1,144,047	502,640
Transportation	3,010,805	3,202,007	-	-	3,010,805	3,202,007
Community development	1,491,230	1,362,832	-	-	1,491,230	1,362,832
Health	897,909	45,893	-	-	897,909	45,893
Culture & Leisure	1,661,169	1,473,004	-	-	1,661,169	1,473,004
Interest on long-term debt	2,176,002	1,265,420	-	-	2,176,002	1,265,420
Transit	-	-	657,291	471,662	657,291	471,662
Waste Water	-	-	1,877,549	1,006,344	1,877,549	1,006,344
Total expenses	18,147,051	15,588,152	2,534,840	1,478,006	20,681,891	17,066,158
Increase (decrease) in net assets before capital contributions and transfers	1,086,125	(856,172)	897,755	1,510,365	1,983,880	654,193
Capital contributions	-	-	257,375	-	257,375	-
Transfers	401,031	1,051,811	(401,031)	(1,051,811)	-	-
Change in net assets	1,487,156	195,639	754,099	458,554	2,241,255	654,193
Net assets, beginning of year (as restated)	47,869,167	46,968,361	28,287,516	27,858,171	76,156,683	74,826,532
Net assets, end of year	$ 49,356,323	$ 47,164,000	$ 29,041,615	$ 28,316,725	$ 78,397,938	$ 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 $754,099 over the prior year. This compares to an increase of $458,554 from Fiscal Year 2004-2005.

As in prior years the City's Transit System was supported primarily through a combination of State and Federal assistance. The largest of these was the State Transportation Development Act (TDA). 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 six internal service funds: Self-Insurance/Risk Management, Administration, Technology, Finance, Printing and Reproduction, and Fleet Maintenance. These funds are used to account for interdepartmental operations where the costs of services provided to the departments are financed or recovered by charging the user department.

Self-Insurance/Risk Management
In addition to providing for Liability, Workers' Compensation, and Property Insurance funding, the Self Insurance and Risk Management Internal Service Fund also provides funding for the liquidation of vacation, sick leave, and other compensated absences.

Administration
The Administration internal service fund provides funding for administration projects and activities provided to city departments.

Finance & Financial Reserves
The Finance internal service fund includes funding for financial reserves, the support staff, accounts payable, budget, accounting, payroll as well as other expenses associated with the City's finance functions.

Technology
The Technology internal service fund provides funding for the service, repair, and replacement of technology equipment, i.e. desktops, servers, network components and maintenance.

Printing and Reproduction
The Printing and Reproduction internal service fund is set up to provide, maintain, and replace the equipment and supplies used for printing and reproduction of documents.

Fleet Maintenance
The Fleet Maintenance internal service fund provides for the maintenance, repair, and replacement of the City's fleet.

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, 2006, 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 03-04 Amount	Percent of Total	FY 04-05 Amount	Percent of Total	FY 05-06 Amount	Percent of Total
Taxes	$ 7,657,442	61.7%	$ 8,725,616	63.5%	$ 12,247,901	65.6%
Intergovernmental	3,253,013	26.2%	2,626,347	19.1%	1,917,323	10.3%
Licenses, Permits & Fees	245,025	2.0%	447,594	3.3%	649,325	3.5%
Charges for Services	623,191	5.0%	773,345	5.6%	923,449	4.9%
Fines and Forfeitures	104,260	0.8%	97,364	0.7%	93,498	0.5%
Use of Money & Property	202,816	1.6%	274,229	2.0%	464,460	2.5%
Assessment Revenue	349	0.003%	1,738	0.0%	26,427	0.1%
Other Revenues	318,051	2.6%	804,769	5.9%	2,349,961	12.6%
Total	**$ 12,404,147**	**100.0%**	**$ 13,751,002**	**100.0%**	**$ 18,672,344**	**100.0%**

As of the end of the current year, the City of Ridgecrest's governmental funds reported combined ending fund balances of $10.4M, an increase of $3.26M in comparison with the prior year. Approximately -37.44% of this total amount, or $-3.9M, is available for spending at the government's discretion (unreserved fund balance) on operating activities. This is due to a change in the methodology in handling COP financing between the City and the Redevelopment Agency, which resulted in two actions on the part of the Redevelopment Agency. The first of which was the payment to the bond escrow agent in the amount of $9.25M on the refinancing of the 1999 COP; the second action was the change of the accounting procedure in handling the COP accounting which now is reflected by the transfer out to the City Debt Service fund of approximately $4.1M.

There is an additional $1.72M in the General Fund that is unreserved and undesignated, and $183K in other governmental funds in unreserved and undesignated fund balance for special revenue purposes; $778K in other governmental funds unreserved and undesignated fund balance for debt service; and finally in other governmental funds there is a balance of unreserved undesignated balance of $389K for capital projects.

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 ($2,145,571), 2) to pay debt service ($573,529), 3), inventory held for resale, or 4) for a variety of other restricted purposes ($10,771,097). 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 $1.7M, while total fund balance was $2.67M. 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 18.84 percent of total general fund expenditures, while total fund balance represents 29.14 percent of that same amount.

During the current fiscal year the fund balance of the City's general fund increased by $118,934. 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.

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 $12.4M, and those found in the Transit System fund amounted to ($79,614). The total growth in net assets was $8,223. 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 $138,429. 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 $380,949 of this savings; Police contributed a savings of $7,235 to the over all savings; Community Development contributed $226,698 of the overall savings; Parks and Recreation went over budget by $147,003 and Public Works Engineering contributed $29. The general fund total revenues were above the adopted budget estimates by $521,335, primarily due to property taxes, sales taxes and other taxes.

	For the Fiscal Year Ended June 30, 2005				For the Fiscal Year Ended June 30, 2006			
	Budgeted Amounts		Actual	Positive (Negative) Variance with	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
Fund balance, July 1	$ 2,332,526	$ 2,332,526	$ 2,332,526	$ -	$ 1,405,780	$ 1,009,165	$ 2,344,973	$ 1,335,808
Resources (inflows):								
Property taxes	4,593,813	4,593,813	4,900,547	306,734	4,716,521	6,095,870	7,604,513	1,508,643
Intergovernmental revenue	1,663,996	1,690,858	1,506,717	(184,141)	1,690,858	768,468	768,749	281
Licenses, fees, and permits	234,285	234,285	447,594	213,309	234,285	960,695	631,480	(329,215)
Current services	572,150	627,150	773,345	146,195	627,150	835,679	821,299	(14,380)
Fines and penalties	81,100	81,100	97,364	16,264	81,100	105,300	93,498	(11,802)
Use of money and property	110,150	110,150	135,537	25,387	110,150	139,750	183,523	43,773
Other revenues	86,224	156,174	337,498	181,324	156,174	25,600	330,272	304,672
Transfers from other funds	1,484,363	2,032,596	1,809,371	(223,225)	2,213,045	1,881,339	900,702	(980,637)
Amount available for appropriation	8,826,081	9,526,126	10,007,973	481,847	9,829,283	10,812,701	11,334,036	521,335
Charges to appropriations (outflows):								
General government	1,938,482	2,210,234	1,826,854	383,380	2,134,143	1,562,059	1,253,110	308,949
Public safety	4,037,247	4,155,902	4,211,785	(55,883)	4,149,757	5,605,977	5,598,742	7,235
Public works	554,569	669,956	503,733	166,223	669,956	9,201	9,172	29
Community development	581,962	654,543	358,017	296,526	654,543	719,469	492,771	226,698
Health	9,582	16,683	9,531	7,152	16,683	22,076	13,249	8,827
Culture and leisure	1,371,957	1,399,536	1,334,848	64,688	1,412,045	1,631,946	1,778,949	(147,003)
Non-departmental:								
Transfers to other funds	1,259,028	1,742,633	1,750,758	(8,125)	1,545,151	1,801,292	2,067,598	(266,306)
Total charges to appropriations	9,752,827	10,849,487	9,995,526	853,961	10,582,278	11,352,020	11,213,591	138,429
Excess of resources over (under) charges to appropriations	(926,746)	(1,323,361)	12,447	1,335,808	(752,995)	(539,319)	120,445	659,764
Fund balance, June 30	$ 1,405,780	$ 1,009,165	$ 2,344,973	$ 1,335,808	$ 652,785	$ 469,846	$ 2,465,418	$ 1,995,572

During the current fiscal year, unreserved fund balance in the general fund remained stable at $2.66M. There were $941,416 of reserves and designations including $305,836 for encumbrances and contracts; $395,894 for Economic Development (Building Division-related services) and another $28,915 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, 2006, amounts to $66.7M (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
Non-Depreciable Assets:			
Land	$ 4,027,873	$ 1,614,217	$ 5,642,090
Construction in process	740,484	1,117,932	1,858,416
Total non-depreciable assets, net	4,768,357	2,732,149	7,500,506
Depreciable Assets:			
Buildings and improvements	25,916,584	943,985	26,860,569
Machinery and equipment	4,259,303	1,014,077	5,273,380
Infrastructure	86,172,427	20,183,269	106,355,696
	116,348,314	22,141,331	138,489,645
Less accumulated depreciation	(63,708,003)	(8,111,647)	(71,819,650)
Total depreciable assets, net	52,640,311	14,029,684	66,669,995
Total capital assets	$ 57,408,668	$ 16,761,833	$ 74,170,501

Additional information on the capital assets can be found in Note 4 on pages 62-63 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $22.3M. Of this amount, $2.8M 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 increment.

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
1999 Refunding Tax Allocation Bonds	$ 6,940,000	$ -	$ (175,000)	$ 6,765,000	$ 185,000	$ 6,580,000
2002 Tax Allocation Refunding Bonds	3,165,000	-	(340,000)	2,825,000	355,000	2,470,000
1999 Refunding Certificates of Participation	9,250,000	-	(9,250,000)	-	-	-
2005 Refunding Certificates of Participation	-	10,275,000	(405,000)	9,870,000	335,000	9,535,000
Capital Lease Obligations	1,167,060	250,000	(191,445)	1,225,615	194,341	1,031,274
Compensated Absences	1,446,822	663,858	(528,218)	1,582,462	662,053	920,409
Total	$ 21,968,882	$ 11,188,858	$ (10,889,663)	$ 22,268,077	$ 1,731,394	$ 20,536,683

The total debt increased by $10.6M during the current fiscal year. The increase was due to the acquisition of additional equipment acquired through capital lease financing as well as the refinancing of the 1999 COP between the Agency and the City. Total deletions were reduced by $10.36M primarily due to the defeasance of the 1999 COP as well as other Redevelopment Agency debt.

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 64-66 of this report.

Economic Factors and Next Year's Budget

The economy continues to be strong with several new retail & office developments now underway. Over 1800 housing units are now fully entitled and approved.

60% of the Ridgecrest Business Park is now under development with 6 new buildings in construction.

China Lake Boulevard, the major transit and commercial corridor, is now seeing development throughout its length with several new smaller retail centers being developed.

Retail vacancy rates continue to fall and are expected to be fewer than 8% for the next fiscal year.

Land values continue to rise for commercial/retail property within the City as commercial land becomes more valuable.

This growth has occurred before the effects of BRAC are felt in the economy. The City continues to position itself as the regional retail center with its continuing growth in this sector.

This year has seen the development of;

- Two new hotels and office developments; Hilton's Hampton Inn & Suites and Grand Stay Hotel & Suites.
- Two new office buildings totaling over 50,000 square feet of Class A office space.
- Four small retail centers throughout the City.
- Four New Restaurants are being developed or completed.
- Several Big Box stores should begin in 2007 including Rite Aid, Wal-Mart Super Center, a new 120,000 square foot retail center as well as two new retail projects on China Lake.

Final BRAC planning should be completed in 2007 with the beginning of implementation, which will provide additional economy growth in 2007 & 2008.

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 Director of 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, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 15,003,169	$ 11,099,781	$ 26,102,950
Cash and investments with fiscal agent	2,265,223	-	2,265,223
Accounts receivable	1,279,310	160,210	1,439,520
Interest receivable	133,740	137,522	271,262
Other receivable	668	-	668
Deposits	10,241	-	10,241
Due from Fiduciary Fund	58,848	-	58,848
Internal balances	(1,200,000)	1,200,000	-
Inventories	13,809	-	13,809
Total current assets	17,565,008	12,597,513	30,162,521
Noncurrent assets:			
Capital assets:			
Nondepreciable	4,768,357	2,732,149	7,500,506
Depreciable, net	52,640,311	14,029,684	66,669,995
Total capital assets, net	57,408,668	16,761,833	74,170,501
Total noncurrent assets	57,408,668	16,761,833	74,170,501
Total assets	74,973,676	29,359,346	104,333,022
LIABILITIES			
Current liabilities:			
Accounts payable	1,951,552	23,606	1,975,158
Retention payable	62,361	-	62,361
Salaries payable	167,285	19,578	186,863
Payroll taxes payable	1,380	-	1,380
Other payroll deductions payable	195,395	-	195,395
Deposits payable	69,846	-	69,846
Unearned revenue	93,849	274,547	368,396
Interest payable	275,567	-	275,567
Compensated absences - due within one year	662,053	-	662,053
Long-term debt - due within one year	1,069,341	-	1,069,341
Total current liabilities	4,548,629	317,731	4,866,360
Long-term liabilities:			
Claims payable	532,043	-	532,043
Compensated absences - due in more than one year	920,409	-	920,409
Long-term debt - due in more than one year	19,616,272	-	19,616,272
Total long-term liabilities	21,068,724	-	21,068,724
Total liabilities	25,617,353	317,731	25,935,084
NET ASSETS			
Invested in capital assets, net of related debt	36,723,055	16,761,833	53,484,888
Restricted for:			
Special projects	8,235,334	-	8,235,334
Debt service	787,403	-	787,403
Capital projects	400,397	-	400,397
Total restricted	9,423,134	-	9,423,134
Unrestricted	3,210,134	12,279,782	15,489,916
Total net assets	$ 49,356,323	$ 29,041,615	$ 78,397,938

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, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total
Primary government:					
Governmental activities:					
General government	$ 1,788,039	$ 53,026	$ 1,442	$ 112,885	$ 167,353
Public safety	5,977,850	210,805	4,869	228,692	444,366
Public works	1,144,047	-	-	-	-
Community development	3,010,805	1,013,269	118,143	79,570	1,210,982
Transportation	1,491,230	-	639,203	11,486	650,689
Health	897,909	-	-	-	-
Culture and leisure	1,661,169	404,028	-	-	404,028
Interest and fiscal agent fees on long term debt	2,176,002	-	-	-	-
Total governmental activities	18,147,051	1,681,128	763,657	432,633	2,877,418
Business-type activities:					
TDA transit	657,291	93,024	-	-	93,024
Wastewater improvement	1,877,549	2,105,194	-	-	2,105,194
Total business-type activities	2,534,840	2,198,218	-	-	2,198,218
Total primary government	$ 20,681,891	$ 3,879,346	$ 763,657	$ 432,633	$ 5,075,636

General revenues:
- Taxes:
  - Property taxes
  - Sales taxes
  - Other taxes
  - Total taxes
- Investment earnings
- Miscellaneous
- Gain (loss) on disposal of capital assets

Capital contributions

Transfers

Total general revenues, capital contributions and transfers

Change in net assets

Net assets - beginning of year, as restated (Note 9)

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (1,620,686)	$ -	$ (1,620,686)
(5,533,484)	-	(5,533,484)
(1,144,047)	-	(1,144,047)
(1,799,823)	-	(1,799,823)
(840,541)	-	(840,541)
(897,909)	-	(897,909)
(1,257,141)	-	(1,257,141)
(2,176,002)	-	(2,176,002)
(15,269,633)	-	(15,269,633)
-	(564,267)	(564,267)
-	227,645	227,645
-	(336,622)	(336,622)
(15,269,633)	(336,622)	(15,606,255)
6,520,691	-	6,520,691
3,392,280	-	3,392,280
3,007,834	718,734	3,726,568
12,920,805	718,734	13,639,539
454,613	502,255	956,868
2,171,014	13,388	2,184,402
809,326	-	809,326
-	257,375	257,375
401,031	(401,031)	-
16,756,789	1,090,721	17,847,510
1,487,156	754,099	2,241,255
47,869,167	28,287,516	76,156,683
$ 49,356,323	$ 29,041,615	$ 78,397,938

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Comprehensive Annual Financial Report
For the year ended June 30, 2006

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City of Ridgecrest
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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, 2006

	Major Funds				
	General Fund	Ridgecrest Redevelopment Agency	Capital Improvements Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 2,998,223	$ 5,038,343	$ 1,212,528	$ 1,583,147	$ 10,832,241
Cash and investments with fiscal agent	-	2,265,223	-	-	2,265,223
Accounts receivable	601,935	624,329	9,841	43,205	1,279,310
Interest receivable	26,107	47,832	3,435	10,002	87,376
Other receivables	668	-	-	-	668
Due from other funds	61,308	-	-	-	61,308
Deposits	-	-	-	10,241	10,241
Advances to other funds	-	-	-	9,464,159	9,464,159
Total assets	$ 3,688,241	$ 7,975,727	$ 1,225,804	$ 11,110,754	$ 24,000,526
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 580,263	$ 849,362	$ 400,036	$ 46,224	$ 1,875,885
Retentions payable	-	-	62,361	-	62,361
Salaries payable	130,729	6,284	24	9,812	146,849
Payroll taxes payable	1,380	-	-	-	1,380
Other payroll deductions payable	195,395	-	-	-	195,395
Due to other funds	-	-	-	2,460	2,460
Deposits payable	67,246	2,500	-	100	69,846
Deferred revenue	48,019	473,009	45,830	-	566,858
Advances from other funds	-	10,664,159	-	-	10,664,159
Total liabilities	1,023,032	11,995,314	508,251	58,596	13,585,193
Fund Balances:					
Reserved for:					
Encumbrances	305,836	43,073	1,758,867	37,795	2,145,571
Capital projects	-	1,296,697	-	10,241	1,306,938
Debt service	-	573,529	-	-	573,529
Advances to other funds	-	-	-	9,464,159	9,464,159
Total reserved	305,836	1,913,299	1,758,867	9,512,195	13,490,197
Unreserved, designated for:					
General fund	635,580	-	-	-	635,580
Special revenue	-	-	-	189,689	189,689
Total unreserved, designated	635,580	-	-	189,689	825,269
Unreserved, undesignated:					
General fund	1,723,793	-	-	-	1,723,793
Special revenue	-	(5,932,886)	-	182,993	(5,749,893)
Debt service	-	-	-	778,125	778,125
Capital projects	-	-	(1,041,314)	389,156	(652,158)
Total unreserved, undesignated	1,723,793	(5,932,886)	(1,041,314)	1,350,274	(3,900,133)
Total fund balances	2,665,209	(4,019,587)	717,553	11,052,158	10,415,333
Total liabilities and fund balances	$ 3,688,241	$ 7,975,727	$ 1,225,804	$ 11,110,754	$ 24,000,526

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, 2006

Total Fund Balances - Total Governmental Funds	$	10,415,333
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. (Net of $17,690 of internal service fund capital assets)		
Non-depreciable		4,768,357
Depreciable, net		52,622,621
		57,390,978
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences - due within one year		(662,053)
Compensated absences - due in more than one year		(920,409)
Long-term debt - due within one year		(1,069,341)
Long-term debt - due in more than one year		(19,616,272)
		(22,268,075)
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.		(275,567)
Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are recognized as revenues in the Government-Wide Financial Statements.		473,009
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.		3,620,645
Net Assets of Governmental Activities	$	49,356,323

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	Major Funds				
	General Fund	Ridgecrest Redevelopment Agency	Capital Improvements Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 7,604,513	$ 4,456,256	$ -	$ 187,132	$ 12,247,901
Intergovernmental	768,749	209,905	192,455	746,214	1,917,323
Licenses, permits and fees	631,480	-	-	17,845	649,325
Fines and forfeitures	93,498	-	-	-	93,498
Use of property and money	183,524	203,812	18,515	58,609	464,460
Charges for services	821,299	-	2,150	100,000	923,449
Assessment revenues	-	-	-	26,427	26,427
Other revenues	330,272	878,672	860,557	280,460	2,349,961
Total revenues	10,433,335	5,748,645	1,073,677	1,416,687	18,672,344
EXPENDITURES:					
Current:					
General government	1,254,620	-	366,940	76,321	1,697,881
Public safety	5,598,743	-	82,553	173,668	5,854,964
Public works	9,172	-	192,842	928,163	1,130,177
Community development	492,771	1,579,758	-	73,880	2,146,409
Health	13,249	-	860,557	-	873,806
Culture and leisure	1,778,949	-	41,750	-	1,820,699
Debt service:					
Principal	-	515,000	-	596,445	1,111,445
Interest	-	1,570,069	-	538,465	2,108,534
Total expenditures	9,147,504	3,664,827	1,544,642	2,386,942	16,743,915
REVENUES OVER (UNDER) EXPENDITURES	1,285,831	2,083,818	(470,965)	(970,255)	1,928,429
OTHER FINANCING SOURCES (USES):					
Issuance of long-term debt	-	-	-	10,275,000	10,275,000
Proceeds from capital lease	-	-	-	250,000	250,000
Payment to refunded bond escrow agent	-	(9,250,000)	-	-	(9,250,000)
Transfers in	900,702	3,331,687	656,993	1,839,242	6,728,624
Transfers out	(2,067,598)	(4,092,017)	-	(702,107)	(6,861,722)
Total other financing sources (uses)	(1,166,896)	(10,010,330)	656,993	11,662,135	1,141,902
Net change in fund balances	118,935	(7,926,512)	186,028	10,691,880	3,070,331
FUND BALANCES:					
Beginning of year, as restated (Note 9)	2,546,274	3,906,925	531,525	360,278	7,345,002
End of year	$ 2,665,209	$ (4,019,587)	$ 717,553	$ 11,052,158	$ 10,415,333

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, 2006

Net Change in Fund Balances - Total Governmental Funds	$	3,070,331
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. Capital outlay expenditures are included in the Statement of Revenue, Expenditures, and Changes in Fund Balances through out various departments. 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.		1,388,073
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.		(3,570,863)
Proceeds from sale of property provide current financial resources to governmental funds, but sale of property decrease capital assets on government-wide statements		(81,077)
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.		(135,640)
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 and capital lease proceeds		(10,525,000)
Principal payment on debt service		1,111,445
Payment to refunded bond escrow agent		9,250,000
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.		(67,468)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(30,857)
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.		1,078,212
Change in Net Assets of Governmental Activities	$	1,487,156

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
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City of Ridgecrest
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Proprietary Fund Financial Statements

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For the year ended June 30, 2006

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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, 2006

	Major Funds			Governmental Activities -
	T.D.A. Transit	Wastewater Improvement	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 192,646	$ 10,907,135	$ 11,099,781	$ 4,170,928
Accounts receivable	9,970	150,240	160,210	-
Interest receivable	2,169	135,353	137,522	46,364
Inventories	-	-	-	13,809
Total current assets	204,785	11,192,728	11,397,513	4,231,101
Noncurrent assets:				
Capital assets:				
Non-depreciable:				
Land	-	1,614,217	1,614,217	-
Construction in process	-	1,117,932	1,117,932	-
Depreciable:				
Buildings and improvements	-	943,985	943,985	-
Machinery and equipment	469,472	544,605	1,014,077	179,910
Infrastructure	-	20,183,269	20,183,269	-
Less accumulated depreciation	(324,479)	(7,787,168)	(8,111,647)	(162,220)
Advances to other funds	-	1,200,000	1,200,000	-
Total noncurrent assets	144,993	17,816,840	17,961,833	4,262,600
Total assets	349,778	29,009,568	29,359,346	8,493,701
LIABILITIES				
Accounts payable	766	22,840	23,606	75,667
Salaries payable	9,086	10,492	19,578	20,436
Claims payable	-	-	-	532,043
Deferred revenue	274,547	-	274,547	-
Total liabilities	284,399	33,332	317,731	628,146
NET ASSETS				
Invested in capital assets	144,993	16,616,840	16,761,833	17,690
Unrestricted	(79,614)	12,359,396	12,279,782	3,602,955
Total net assets	$ 65,379	$ 28,976,236	$ 29,041,615	$ 3,620,645

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, 2006

	Major Funds			Governmental Activities -
	T.D.A. Transit	Wastewater Improvement	Total	Internal Service Funds
OPERATING REVENUES:				
Charges for services	$ 93,024	$ 2,105,194	$ 2,198,218	$ 2,584,839
Other revenues	-	13,388	13,388	555,831
Total operating revenues	93,024	2,118,582	2,211,606	3,140,670
OPERATING EXPENSES:				
Public works	489,516	-	489,516	-
Health	-	1,460,927	1,460,927	-
Administration	132,727	-	132,727	969,757
Costs of sales and services	-	-	-	1,743,465
Depreciation	35,048	416,622	451,670	300
Total operating expenses	657,291	1,877,549	2,534,840	2,713,522
OPERATING INCOME (LOSS)	(564,267)	241,033	(323,234)	427,148
NONOPERATING REVENUES (EXPENSES):				
Taxes	718,734	-	718,734	-
Interest revenue	5,672	496,583	502,255	116,935
Total nonoperating revenues	724,406	496,583	1,220,989	116,935
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	160,139	737,616	897,755	544,083
TRANSFERS AND CAPITAL CONTRIBUTIONS:				
Capital contributions	-	257,375	257,375	-
Transfers in	-	11,339	11,339	725,967
Transfers out	(195,187)	(217,183)	(412,370)	(191,838)
Total transfers and capital contributions	(195,187)	51,531	(143,656)	534,129
Change in net assets	(35,048)	789,147	754,099	1,078,212
NET ASSETS:				
Beginning of year, as restated (Note 9)	100,427	28,187,089	28,287,516	2,542,433
End of year	$ 65,379	$ 28,976,236	$ 29,041,615	$ 3,620,645

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

	Major Funds			Governmental Activities - Internal Service Funds
	T.D.A. Transit	Wastewater Improvement	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	$ 240,728	$ 2,083,778	$ 2,324,506	$ 2,585,205
Payments to suppliers for operation	(622,060)	(1,446,741)	(2,068,801)	(2,638,846)
Payments to employees	1,842	2,408	4,250	19,289
Insurance premiums and settlements	-	-	-	100,227
Cash received from (payments to) other	-	13,388	13,388	555,831
Net cash provided (used) by operating activities	(379,490)	652,833	273,343	621,706
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances to other funds	-	200,000	200,000	-
Taxes	718,734	-	718,734	-
Transfers in	-	11,339	11,339	725,967
Transfers out	(195,187)	(217,183)	(412,370)	(191,838)
Net cash provided (used) by noncapital financing activities	523,547	(5,844)	517,703	534,129
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(79,613)	(860,558)	(940,171)	(31,799)
Net cash provided (used) by capital and related financing activities	(79,613)	(860,558)	(940,171)	(31,799)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	4,261	428,941	433,202	88,683
Net cash provided (used) by investing activities	4,261	428,941	433,202	88,683
Net increase (decrease) in cash and cash equivalents	68,705	215,372	284,077	1,212,719
CASH AND INVESTMENTS:				
Beginning of year	123,941	10,691,763	10,815,704	2,958,209
End of year	$ 192,646	$ 10,907,135	$ 11,099,781	$ 4,170,928
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	$ (564,267)	$ 241,033	$ (323,234)	$ 427,148
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	35,048	416,622	451,670	300
Changes in current assets and liabilities:				
Accounts receivable	124,541	(21,416)	103,125	366
Due from other funds	-	-	-	-
Accounts payable	183	14,186	14,369	74,376
Due to other funds	-	-	-	-
Salaries payable	1,842	2,408	4,250	19,289
Claims payable	-	-	-	100,227
Deferred revenue	23,163	-	23,163	-
Total adjustments	184,777	411,800	596,577	194,558
Net cash provided (used) by operating activities	$ (379,490)	$ 652,833	$ 273,343	$ 621,706

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

Fiduciary Fund Financial Statements

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

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FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds
To account for donations received and held by the City of Ridgecrest as an agent for individuals, developers, private organizations and other governmental agencies.

Agency Funds
To account for collections received from special assessment districts and their disbursement to bondholders.

City of Ridgecrest
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	$ 12,439	$ 1,017,265
Accounts receivable	-	4,435
Interest receivable	138	5,793
Total assets	$ 12,577	$ 1,027,493
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 2,922	$ -
Due to City of Ridgecrest	-	58,848
Due to bondholders	-	968,645
Total liabilities	2,922	$ 1,027,493
Net Assets:		
Held in trust for Parks & Recreation and Senior Center	9,655	
Total net assets	$ 9,655	

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2006

	Private Purpose Trust Funds
REVENUES:	
Use of property and money	$ 562
Other revenues	250
Total revenues	812
EXPENDITURES:	
General government	7,566
Total expenditures	7,566
REVENUE OVER (UNDER) EXPENDITURES	(6,754)
NET ASSETS:	
Beginning of year	16,409
End of year	$ 9,655

See accompanying Notes to Basic Financial Statements.

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

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City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

Notes to Basic Financial Statements

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

Government–Wide Financial Statements

The City's Government–Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental 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.

The Government-Wide 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. The City 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 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.

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.

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 – The City has six internal service funds. Administration fund is used to account for the cost of citywide central service function. Human Resources & Risk Management fund is used to account for the costs of the City's risk management and self-insurance programs and its personnel management costs. Information systems fund is used to account for the cost associated with electronic data processing operations. This includes computer and network equipment maintenance and replacement as well as technical support services. Printing and Reproduction Fund is used to account for the cost related to the centralized of copying, printing and reproduction of electronic data in paper form. Financial Services Fund is used to account for the cost related to financial services provided to other departments as well as financial services. Fleet Maintenance Fund is used to account for the cost of maintenance of motor vehicles, heavy and light equipments and equipment replacements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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 has two types of fiduciary funds. They are the private purpose trust funds and agency funds. The private purpose trust funds account for donations received and held by the City as an agent for individuals, developers, private organizations and other governmental agencies. The specific purposes for these donations are for parks and recreation and senior citizens related programs. The agency funds account for collections received from special assessment districts and their disbursement to bondholders. The agency fund is custodial in nature and do not involve measurement of results of operations. Spending of agency fund resources is controlled primarily through legal agreements and applicable State and Federal laws. Agency funds are reported using the accrual basis of accounting.

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 Investment

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

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

The City participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents and Investment, Continued

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

In addition, 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.

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.

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 infrastructures into the 2005-06 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

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.

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."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Assets, Continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Implementation of New GASB Pronouncement

The City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation* addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.
- GASB Statement No. 47 *Accounting for Termination Benefits* provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

2. CASH AND INVESTMENTS

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2006:

	Government-Wide Statement of Net Assets		Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business-Type Activities		
Cash and investments	15,003,169	11,099,781	1,029,704	$ 27,132,654
Cash and investments with fiscal agent	2,265,223	-	-	2,265,223
Total	$ 17,268,392	$ 11,099,781	$ 1,029,704	$ 29,397,877

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 $1,999,091 at June 30, 2006. Bank balances before reconciling items were $1,954,668 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.

2. CASH AND INVESTMENTS, Continued

A. Cash Deposits, Continued

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.

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.

2. CASH AND INVESTMENTS, Continued

C. External Investment Pool

The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2006, 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, 2006, the City had $25,133,561 invested in LAIF which had invested 2.567% of the pool investment funds in Structured Notes and Asset-Backed Securities.

D. Risk Disclosures

At June 30, 2006, the City had the following deposits and investments:

Interest Rate Risk:

	Fair Value	1 year or less
Demand accounts	$ 1,997,741	$ 1,997,741
Petty cash	1,350	1,350
California Local Agency Investment Fund	25,133,561	25,133,561
Investment held by Fiscal Agents	2,265,223	2,265,223
Total	$ 29,397,875	$ 29,397,875

Credit Risk:

	Credit Quality Ratings		
	Moody's	Standard & Poor's	Fair Value
Cash and Investments:			
Cash deposits	Not Rated		$ 1,997,741
California Local Agency Investment Fund	Not Rated		25,133,561
Investments held by Fiscal Agents	Not Rated		2,265,223
Total Cash and Investments			$ 29,396,525

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

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, 2006, the City had the following interfund receivables and payables:

Internal Balances		Internal Balances
		Business-Type Activities
Internal Balances	Governmental Activities	$ 1,200,000

Transfers

At June 30, 2006, the City had the following transfers:

Transfers In		Transfers Out
		Business-Type Activities
Transfers In	Governmental Activities	$ 401,031

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.

3. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements

Due from and to other funds

At June 30, 2006, the City had the following short-term interfund receivables and payables:

		Due from other funds	
		General	Total
Due to Other funds	Non-major Governmental Funds		
	Funds	$ 2,460	$ 2,460
	Fiduciary Funds	58,848	58,848
	Total	$ 61,308	$ 61,308

Advances to and from other funds

At June 30, 2006, the City had the following long-term interfund receivables and payables:

		Advances to other funds		
		Ridgecrest Redevelopment Agency	Enterprise Fund Wastewater Improvement	Total
Advances from other funds	Ridgecrest Redevelopment Agency	$ -	$ 1,200,000	$ 1,200,000
	Nonmajor governmental funds	9,464,159	-	9,464,159
	Total	$ 9,464,159	$ 1,200,000	$ 10,664,159

On June 19, 2002, the Wastewater Improvement Enterprise Fund loaned the Ridgecrest Redevelopment Agency Fund in the amount of $2,000,000 for the purpose 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
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	200,000	20,000	220,000
2012	200,000	10,000	210,000
Total	$ 1,200,000	$ 210,000	$ 1,410,000

3. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Advances to and from other funds, Continued

On November 1, 2005, the City and the Agency have entered into a reimbursement agreement, pursuant to which the Agency has agreed to reimburse the City for all Lease payments. The Agency's reimbursement obligation is secured by a pledge of certain tax increment revenues arising in the Agency's Ridgecrest Redevelopment Project. Certain outstanding and future bonds of the Agency have or may have a claim on tax increment revenues that is senior to the Agency's reimbursement obligation under the Reimbursement Agreement. At June 30, 2006, the outstanding balance of the agreement was $9,464,159.

Transfers

At June 30, 2006, the City had the following transfers:

		Transfers Out						
					Enterprise Funds			
		General Fund	Ridgecrest Redevelopment Agency	Non-major Governmental Funds	TDA Transit	Wastewater Improvement	Internal Service Funds	**Total**
Transfers In	General Fund	$ -	$ 249,664	$ 320,475	$ 148,016	$ 182,547	$ -	$ 900,702
	Ridgecrest Redevelopment Agency	-	3,331,687	-	-	-	-	3,331,687
	Capital Projects Fund: Capital Improvements	308,043	-	342,695	2,579	1,838	1,838	656,993
	Non-major Governmental Funds	1,393,037	446,205	-	-	-	-	1,839,242
	Enterprise Fund: Wastewater Improvement	11,339	-	-	-	-	-	11,339
	Internal Service Funds	355,179	64,461	38,937	44,592	32,798	190,000	725,967
	Total	$ 2,067,598	$ 4,092,017	$ 702,107	$ 195,187	$ 217,183	$ 191,838	$ 7,465,930

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.

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance July 1, 2005	Adjustments	Additions	Deletions	Balance June 30, 2006
Non-Depreciable Assets:					
Land	$ 4,107,722	$ -	$ -	$ (79,849)	$ 4,027,873
Construction in progress	-	-	740,484	-	740,484
Total non-depreciable assets	4,107,722	-	740,484	(79,849)	4,768,357
Depreciable Assets:					
Buildings and improvements	6,995,169	18,674,050	247,365	-	25,916,584
Machinery and equipment	3,978,465	-	305,389	(24,551)	4,259,303
Infrastructure	104,733,651	(18,674,050)	112,826	-	86,172,427
Total depreciable assets	115,707,285	-	665,580	(24,551)	116,348,314
Less accumulated depreciation:					
Buildings and improvements	(13,920,154)	161,143	(898,137)	-	(14,657,148)
Machinery and equipment	(3,115,944)	-	(238,264)	23,323	(3,330,885)
Infrastructure	(43,124,065)	(161,143)	(2,434,762)	-	(45,719,970)
Total accumulated depreciation	(60,160,163)	-	(3,571,163)	23,323	(63,708,003)
Total depreciable assets, net	55,547,122	-	(2,905,583)	(1,228)	52,640,311
Total governmental activities	$ 59,654,844	$ -	$ (2,165,099)	$ (81,077)	$ 57,408,668

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2006 are as follows:

General Government	$ 179,523
Public Safety	75,147
Transportation	2,332,988
Community Development	890,520
Culture and Leisure	92,685
Internal Service Fund	300
Total depreciation expense	$ 3,571,163

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2005	Adjustments	Additions	Deletions	Balance June 30, 2006
Non-Depreciable Assets:					
Land	$ 1,614,217	$ -	$ -	$ -	$ 1,614,217
Construction in progress	-	-	1,117,932	-	1,117,932
Total non-depreciable assets	1,614,217	-	1,117,932	-	2,732,149
Depreciable Assets:					
Buildings and improvements	19,827,098	(18,883,113)	-	-	943,985
Machinery and equipment	2,234,619	(1,318,146)	97,604	-	1,014,077
Infrastructure	-	20,183,269	-	-	20,183,269
Total depreciable assets	22,061,717	(17,990)	97,604	-	22,141,331
Less accumulated depreciation:					
Buildings and improvements	(7,000,911)	3,575,193	(212,225)	-	(3,637,943)
Machinery and equipment	(629,857)	(1,261,212)	(116,658)	-	(2,007,727)
Infrastructure	-	(2,343,190)	(122,787)	-	(2,465,977)
Total accumulated depreciation	(7,630,768)	(29,209)	(451,670)	-	(8,111,647)
Total depreciable assets, net	14,430,949	(47,199)	(354,066)	-	14,029,684
Total business-type activities	$ 16,045,166	$ (47,199)	$ 763,866	$ -	$ 16,761,833

Business-type activities depreciation expense for capital assets for the year ended June 30, 2006 are as follows:

TDA Transit	$ 35,048
Wastewater Improvement	416,622
Total depreciation expense	$ 451,670

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.

5. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
1999 Refunding Tax Allocation Bonds	$ 6,940,000	$ -	$ (175,000)	$ 6,765,000	$ 185,000	$ 6,580,000
2002 Tax Allocation Refunding Bonds	3,165,000	-	(340,000)	2,825,000	355,000	2,470,000
1999 Refunding Certificates of Participation	9,250,000	-	(9,250,000)	-	-	-
2005 Refunding Certificates of Participation	-	10,275,000	(405,000)	9,870,000	335,000	9,535,000
Capital Lease Obligations	1,167,060	250,000	(191,445)	1,225,615	194,341	1,031,274
Compensated Absences	1,446,822	663,858	(528,218)	1,582,462	662,053	920,409
Total	$ 21,968,882	$ 11,188,858	$ (10,889,663)	$ 22,268,077	$ 1,731,394	$ 20,536,683

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. 1999 Refunding Certificates of Participation has been refunded by 2005 Refunding Certificates of Participation.

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
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	420,000	65,200	485,200
2012-2013	905,000	68,500	973,500
Total	$ 2,825,000	$ 569,738	$ 3,394,738

5. LONG-TERM DEBT, Continued

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
2007	$ 185,000	$ 828,676	$ 1,013,676
2008	195,000	404,440	599,440
2009	205,000	393,813	598,813
2010	215,000	382,435	597,435
2011	230,000	370,288	600,288
2012-2016	1,380,000	1,625,715	3,005,715
2017-2021	1,845,000	1,144,377	2,989,377
2022-2026	2,510,000	489,377	2,999,377
Total	$ 6,765,000	$ 5,639,121	$ 12,404,121

2005 Refunding Certificates of Participation

On November 22, 2005, the City issued Refunding Certificates of Participation in the amount of $10,275,000. The purpose of the bonds was to refund the City's 1999 Refunding Certificates of Participation. The bonds accrue interest rates between 3.00% and 4.50%. Interest on the bonds is payable semiannually on each September 1 and March 1, commencing March 1, 2006. Principal is payable in annual installments ranging from $335,000 to $710,000, commencing March 1, 2006 through March 1, 2026.

The City has covenanted in the Lease Agreement to include the Lease Payments required by the Lease Agreement in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. The Lease Payments, however, are subject to abatement under certain circumstances. In addition, the City and the Agency have entered into a Reimbursement Agreement dated as of November 1, 2005, pursuant to which the Agency has agreed to reimburse the City for all Lease payments. The Agency's reimbursement obligation is secured by a pledge of certain tax increment revenues arising in the Agency's Ridgecrest Redevelopment Project. Certain outstanding and future bonds of the Agency have or may have a claim on tax increment revenues that is senior to the Agency's reimbursement obligation under the Reimbursement Agreement.

5. LONG-TERM DEBT, Continued

2005 Refunding Certificates of Participation, Continued

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	$ 335,000	$ 412,362	$ 747,362
2008	345,000	400,636	745,636
2009	360,000	390,286	750,286
2010	370,000	378,766	748,766
2011	380,000	366,556	746,556
2012-2016	2,155,000	1,586,900	3,741,900
2017-2021	2,650,000	1,087,952	3,737,952
2022-2026	3,275,000	454,126	3,729,126
Total	$ 9,870,000	$ 5,077,584	$ 14,947,584

Capital Lease Obligations

The City entered into various lease agreements for copiers and equipment during the fiscal years ended June 30, 1996, 2003, 2005 and 2006. The leases have been classified as capital lease obligations. The copiers are for the Finance Department and Police Department. The equipment was acquired for the City Hall and the Senior Center. The gross amount of asset acquired in Capital Lease is $1,551,663. The debt requirements due under the terms of all the leases are as follows:

For Years Ending June 30,	
2007	$ 256,811
2008	224,414
2009	165,865
2010-2015	858,737
Total Minimum lease Payments	1,505,827
Less amount representing interest	(280,212)
Present value of lease payments	$ 1,225,615

Compensated Absences

Compensated absences at June 30, 2006, amounted to $1,582,462. 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. DEFEASANCE OF LONG-TERM DEBT

The City issued new debt to defease, or partially defease, existing debt. A summary of the transaction is as follows:

- In November 2005, the City issued $10,275,000 in 2005 Certificates of Participation to refund the 1999 Certificates of Participation. The amount of the total outstanding principal refunded was $9,250,000. A summary of the sources and uses of funds, cash flow and economic gain are as follows:

Sources and Uses of Funds:

Sources of Funds:	
Par amount of Certificate	$ 10,275,000
Net discount	(146,800)
Funds relating to the 1999 Certificates	807,909
Total Sources of Funds	$ 10,936,109
Uses of Funds:	
Advance Refunding of the 1999 Certificates	$ 9,933,744
Deposit to Reserve Account	751,357
Cost of issuance	251,008
Total Uses of Funds	$ 10,936,109

Cash Flows:

Debt Service 1999 COP	Debt Service 2005 COP	Reduction (Increase) of Debt Service	Present Value of Reduction (Increase) of Debt Service @ 4.478998%
$ 16,494,863	$ 15,450,456	$ 1,044,407	$ 688,889

Economic Gain:

Present Value of Reduction (Increase) of Debt Service	$ 688,889
Less Prior Funds on Hand	(807,909)
Plus Refunding Funds on Hand	753,441
Net Present Value of Economic Gain	$ 634,421

7. RISK MANAGEMENT

The City is a member of the PARSAC (Public Agency Risk Sharing Authority of California). The PARSAC 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 PARSAC 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 PARSAC 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.

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. The 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 $532,043 and $431,816 reported at June 30, 2006 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 PARSAC for fiscal year ended June 30, 2006, is as follows:

	2006
Total assets	$ 23,824,577
Total liabilities	$ 12,266,483
Total equities	$ 11,558,094
Total revenues	$ 9,569,181
Total expenses	$ 8,515,691
Expenses over revenues	$ (1,053,490)

8. 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 $387,777 for the year ended June 30, 2006. The City employer is required to contribute for fiscal year 2005-2006 at an actuarially determined rate; the current rate is 5.779% for miscellaneous employees and 17.620% 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.

Annual Pension Cost – For fiscal year ended June 30, 2006, the City's annual pension cost of $517,752 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% 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 3.00%. 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 fifteen 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, 2004 was 14 years 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
6/30/2004	$ 88,828	100%	$ -
6/30/2005	516,097	100%	-
6/30/2006	517,752	100%	-

9. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period adjustments to reinstate sales tax revenue received in FY 2005-2006 that should have been accrued back to FY 2004-2005, GASB Statement No. 34 adjustment for capital assets and deferred revenue, and other miscellaneous adjustments. Accordingly, the net assets as of July 1, 2005, have been restated as follows:

A. Government-Wide Financial Statements

	Net Assets, As Previously Reported	Prior Period Adjustments	Net Assets, As Restated
Governmental Activities	$ 47,164,000	$ 705,167	$ 47,869,167
Business-Type Activities	28,316,725	(29,209)	28,287,516
Total primary government	$ 75,480,725	$ 675,958	$ 76,156,683

B. Fund Financial Statements

	Fund Balance As Previously Reported	Prior Period Adjustments	Fund Balance As Restated
Governmental Fund:			
General Fund	$ 2,344,973	$ 201,301	$ 2,546,274
Proprietary Fund:			
T.D.A. Fund	129,636	(29,209)	100,427
Total	$ 2,474,609	$ 172,092	$ 2,646,701

10. OTHER REQUIRED DISCLOSURES

At June 30, 2006, the following funds had fund balance deficits:

Fund	Fund Type	Deficit
Ridgecrest Redevelopment Agency	Major Governmental Fund	$ (4,019,587)
State Gas Tax Special Revenue Fund	Nonmajor Governmental Fund	(35,661)

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

Required Supplementary Information

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 Schedule - General Fund

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final	Amounts	Final Budget
Fund balance, July 1, 2005	$ 1,405,780	$ 1,009,165	$ 2,546,274	$ 1,537,109
Resources (inflows):				
Taxes	4,716,521	6,095,870	7,604,513	1,508,643
Intergovernmental revenue	1,690,858	768,468	768,749	281
Licenses and permits	234,285	960,695	631,480	(329,215)
Fines and penalties	81,100	105,300	93,498	(11,802)
Use of money and property	110,150	139,750	183,524	43,774
Charges for services	627,150	835,679	821,299	(14,380)
Other revenues	156,174	25,600	330,272	304,672
Transfers in	2,213,045	1,881,339	900,702	(980,637)
Amount available for appropriation	9,829,283	10,812,701	11,334,037	521,336
Charges to appropriations (outflows):				
General government	2,134,143	1,562,059	1,254,620	307,439
Public safety	4,149,757	5,605,977	5,598,743	7,234
Public works	669,956	9,201	9,172	29
Community development	654,543	719,469	492,771	226,698
Health	16,683	22,076	13,249	8,827
Culture and leisure	1,412,045	1,631,946	1,778,949	(147,003)
Transfers out	1,545,151	1,801,292	2,067,598	(266,306)
Total charges to appropriations	10,582,278	11,352,020	11,215,102	136,918
Excess of resources over (under) charges to appropriations	(752,995)	(539,319)	118,935	658,254
Fund balance, June 30, 2006	$ 652,785	$ 469,846	$ 2,665,209	$ 2,195,363

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule - Ridgecrest Redevelopment Agency Special Revenue Fund

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ 1,618,645	$ 1,614,154	$ 3,906,925	$ 2,292,771
Resources (inflows):				
Taxes	2,938,000	4,021,981	4,456,256	434,275
Intergovernmental	156,486	196,486	209,905	13,419
Use of money and property	19,000	23,400	203,812	180,412
Other revenues	-	854,792	878,672	23,880
Transfers in	2,439,537	3,269,389	3,331,687	62,298
Amount available for appropriation	5,553,023	8,366,048	9,080,332	714,284
Charges to appropriations (outflows):				
Community development	1,620,403	2,048,972	1,579,758	469,214
Debt service:				
Principal	715,000	715,000	515,000	200,000
Interest	1,238,903	1,254,463	1,570,069	(315,606)
Payment to refunded bond escrow agent	-	-	9,250,000	(9,250,000)
Transfers out	4,290,894	5,502,188	4,092,017	1,410,171
Total charges to appropriations	7,865,200	9,520,623	17,006,844	(7,486,221)
Excess of resources over (under) charges to appropriations	(2,312,177)	(1,154,575)	(7,926,512)	(6,771,937)
Fund balance, June 30, 2006	$ (693,532)	$ 459,579	$ (4,019,587)	$ (4,479,166)

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

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	(C) Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	(D) Funded Ratio (A/B)	(E) Covered Payroll	(F) Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
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%
6/30/2005	2,588,713,000	2,891,460,651	302,747,651	89.5%	755,046,679	40.1%

Safety Plan

Actuarial Valuation Date	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	(C) Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	(D) Funded Ratio (A/B)	(E) Covered Payroll	(F) Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
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%
6/30/2005	646,358,708	742,247,338	95,888,630	87.1%	115,062,820	83.3%

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, 2006

Supplemental Information

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

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City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

Non-Major Governmental Funds

City of Ridgecrest
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue Funds					
	State Gas Tax	Park Development	TDA Street Fund	Business Development Center	Business Park	Supplemental Law Enforcement
ASSETS						
Cash and investments	$ -	$ 13,978	$ 187,605	$ 2,845	$ 32,029	$ 3,915
Accounts receivable	1,300	-	-	2,156	-	-
Interest receivable	-	155	2,084	-	356	1,196
Deposits	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Total assets	$ 1,300	$ 14,133	$ 189,689	$ 5,001	$ 32,385	$ 5,111
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 28,323	$ -	$ -	$ 4,901	$ -	$ -
Salaries payable	8,639	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deposits payable	-	-	-	100	-	-
Total liabilities	36,962	-	-	5,001	-	-
Fund Balances:						
Reserved:						
Encumbrances	27,517	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Utility/Street improvement	-	-	-	-	-	-
Total reserved	27,517	-	-	-	-	-
Unreserved, designated for:						
Traffic signals/loop	-	-	189,689	-	-	-
Total unreserved, designated	-	-	189,689	-	-	-
Unreserved, undesignated:						
Special revenue	(63,179)	14,133	-	-	32,385	5,111
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total unreserved, undesignated	(63,179)	14,133	-	-	32,385	5,111
Total fund balances	(35,662)	14,133	189,689	-	32,385	5,111
Total liabilities and fund balances	$ 1,300	$ 14,133	$ 189,689	$ 5,001	$ 32,385	$ 5,111

Special Revenue Funds							
Grant Operations	Nutrition Grant	AB 2928 Traffic Relief	Special Projects	Fire Facilities Improvements	Traffic Impact Fee	Law Enforcement Improvements	Storm Drainage Facilities
$ -	$ 3,279	$ 85,881	$ 52,555	$ 1,253	$ 5,299	$ 4,106	$ 7,189
3,633	-	33,200	-	-	-	-	-
-	36	962	584	14	59	46	80
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 3,633	$ 3,315	$ 120,043	$ 53,139	$ 1,267	$ 5,358	$ 4,152	$ 7,269
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1,173	-	-	-	-	-	-	-
2,460	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,633	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,315	120,043	53,139	1,267	5,358	4,152	7,269
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,315	120,043	53,139	1,267	5,358	4,152	7,269
-	3,315	120,043	53,139	1,267	5,358	4,152	7,269
$ 3,633	$ 3,315	$ 120,043	$ 53,139	$ 1,267	$ 5,358	$ 4,152	$ 7,269

(Continued)

City of Ridgecrest
Combining Balance Sheet, Continued
Non-Major Governmental Funds
June 30, 2006

	Debt Service Fund	Capital Projects Fund	
	City Debt Service	Sub-Standard Streets Improvements	Total Other Governmental Funds
ASSETS			
Cash and investments	$ 784,487	$ 398,726	$ 1,583,147
Accounts receivable	2,916	-	43,205
Interest receivable	-	4,430	10,002
Deposits	-	10,241	10,241
Advances to other funds	9,464,159	-	9,464,159
Total assets	$ 10,251,562	$ 413,397	$ 11,110,754
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 13,000	$ 46,224
Salaries payable	-	-	9,812
Due to other funds	-	-	2,460
Deposits payable	-	-	100
Total liabilities	-	13,000	58,596
Fund Balances:			
Reserved for:			
Encumbrances	9,278	1,000	37,795
Advances to other funds	9,464,159	-	9,464,159
Utility/Street improvement	-	10,241	10,241
Total reserved	9,473,437	11,241	9,512,195
Unreserved, designated for:			
Traffic signals/loop	-	-	189,689
Total unreserved, designated	-	-	189,689
Unreserved, undesignated			
Special revenue	-	-	182,993
Debt service	778,125	-	778,125
Capital projects	-	389,156	389,156
Total unreserved, undesignated	778,125	389,156	1,350,274
Total fund balances	10,251,562	400,397	11,052,158
Total liabilities and fund balances	$ 10,251,562	$ 413,397	$ 11,110,754

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City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

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City of Ridgecrest
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2006

	Special Revenue Funds					
	State Gas Tax	Park Development	TDA Street Fund	Business Development Center	Business Park	Supplemental Law Enforcement
REVENUES:						
Taxes	$ -	$ -	$ 187,132	$ -	$ -	$ -
Intergovernmental	452,071	-	-	-	-	100,000
Licenses and permits	-	-	-	-	-	-
Use of property and money	62	538	2,158	16,349	685	4,130
Charges for services	-	-	-	-	-	-
Assessment revenues	26,427	-	-	-	-	-
Other revenues	1,442	-	-	-	-	-
Total revenues	480,002	538	189,290	16,349	685	104,130
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	173,668	-	-	-	-	-
Public works	897,493	-	-	-	-	-
Community development	-	-	-	25,317	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	1,071,161	-	-	25,317	-	-
REVENUE OVER (UNDER) EXPENDITURES	(591,159)	538	189,290	(8,968)	685	104,130
OTHER FINANCING SOURCES (USES):						
Issuance of long-term debt	-	-	-	-	-	-
Proceeds from capital lease						
Transfers in	744,246	-	-	8,968	-	-
Transfers out	(257,500)	-	-	-	-	(103,749)
Total other financing sources (uses)	486,746	-	-	8,968	-	(103,749)
Net change in fund balances	(104,413)	538	189,290	-	685	381
FUND BALANCES:						
Beginning of year	68,752	13,595	399	-	31,700	4,730
End of year	$ (35,661)	$ 14,133	$ 189,689	$ -	$ 32,385	$ 5,111

Special Revenue Funds							
Grant Operations	Nutrition Grant	AB 2928 Traffic Relief	Special Projects	Fire Facilities Improvements	Traffic Impact Fee	Law Enforcement Improvements	Storm Drainage Facilities
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
76,000	-	118,143	-	-	-	-	-
-	-	-	-	1,253	5,298	4,106	7,188
-	127	2,568	1,702	14	60	46	81
-	-	-	100,000	-	-	-	-
-	-	-	-	-	-	-	-
300	-	-	-	-	-	-	-
76,300	127	120,711	101,702	1,267	5,358	4,152	7,269
76,321	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	48,563	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
76,321	-	-	48,563	-	-	-	-
(21)	127	120,711	53,139	1,267	5,358	4,152	7,269
-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-
-	-	(669)	-	-	-	-	-
21	-	(669)	-	-	-	-	-
-	127	120,042	53,139	1,267	5,358	4,152	7,269
-	3,188	1	-	-	-	-	-
$ -	$ 3,315	$ 120,043	$ 53,139	$ 1,267	$ 5,358	$ 4,152	$ 7,269

(Continued)

City of Ridgecrest
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2006

	Debt Service Fund	Capital Projects Fund	
	City Debt Service	Sub-Standard Streets Improvements	Total Other Governmental Funds
REVENUES:			
Taxes	$ -	$ -	$ 187,132
Intergovernmental	-	-	746,214
Licenses and permits	-	-	17,845
Use of property and money	18,653	11,436	58,609
Charges for services	-	-	100,000
Assessment revenues	-	-	26,427
Other revenues	-	278,718	280,460
Total revenues	18,653	290,154	1,416,687
EXPENDITURES:			
Current:			
General government	-	-	76,321
Public safety	-	-	173,668
Public works	-	30,670	928,163
Community development	-	-	73,880
Debt service:			
Principal	596,445	-	596,445
Interest and fiscal charges	538,465	-	538,465
Total expenditures	1,134,910	30,670	2,386,942
REVENUE OVER (UNDER) EXPENDITURES	(1,116,257)	259,484	(970,255)
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt	10,275,000	-	10,275,000
Proceeds from capital lease	250,000	-	250,000
Transfers in	1,086,007	-	1,839,242
Transfers out	(340,189)	-	(702,107)
Total other financing sources (uses)	11,270,818	-	11,662,135
Net change in fund balances	10,154,561	259,484	10,691,880
FUND BALANCES:			
Beginning of year	97,000	140,913	360,278
End of year	$ 10,251,561	$ 400,397	$ 11,052,158

(Concluded)

City of Ridgecrest

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

Capital Improvement - Capital Improvement Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ 384,632	$ 569,821	$ 531,525	$ 38,296
Resources (inflows):				
Intergovernmental	225,083	206,545	192,455	(14,090)
Use of money and property	-	-	18,515	18,515
Charges for services	-	479	2,150	1,671
Miscellaneous	741	859,701	860,557	856
Transfer in	1,947,893	1,782,846	656,993	(1,125,853)
Amount available for appropriation	2,173,717	2,849,571	1,730,670	(1,118,901)
Charges to appropriations (outflows):				
General government	-	385,999	366,940	19,059
Public safety	-	80,483	82,553	(2,070)
Public works	4,886,412	1,899,674	192,842	1,706,832
Health	-	859,702	860,557	(855)
Culture and leisure	33,729	41,750	41,750	-
Transfers out	-	-	-	-
Total charges to appropriations	4,920,141	3,267,608	1,544,642	1,722,966
Excess of resources over (under) charges to appropriations	(2,746,424)	(418,037)	186,028	604,065
Fund balance, June 30, 2006	$ (2,361,792)	$ 151,784	$ 717,553	$ 642,361

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 68,752	$ (68,752)
Resources (inflows):				
Intergovernmental	430,565	430,565	452,071	21,506
Use of money and property	100	100	62	(38)
Assessment revenue	-	-	26,427	26,427
Miscellaneous	-	-	1,442	1,442
Transfer in	1,172,770	1,197,770	744,246	(453,524)
Amount available for appropriation	1,603,435	1,628,435	1,224,248	(404,187)
Charges to appropriations (outflows):				
Public safety	897,943	926,072	897,493	28,579
Public works	150,000	173,668	173,668	-
Transportation	-	-	-	-
Transfers out	371,394	321,884	257,500	64,384
Total charges to appropriations	1,419,337	1,421,624	1,328,661	92,963
Excess of resources over (under) charges to appropriations	184,098	206,811	(104,413)	(311,224)
Fund balance, June 30, 2006	$ 184,098	$ 206,811	$ (35,661)	$ (379,976)

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 13,595	$ (13,595)
Resources (inflows):				
Use of money and property	-	-	538	538
Amount available for appropriation	-	-	538	538
Fund balance, June 30, 2006	$ -	$ -	$ 14,133	$ (13,057)

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 399	$ (399)
Resources (inflows):				
Taxes	187,000	187,000	187,132	132
Use of money and property	-	-	2,158	2,158
Assessment revenues	-	-	-	-
Amount available for appropriation	187,000	187,000	189,290	2,290
Charges to appropriations (outflows):				
Transfers out	187,000	158,702	-	158,702
Total charges to appropriations	187,000	158,702	-	158,702
Excess of resources over (under) charges to appropriations	-	28,298	189,290	160,992
Fund balance, June 30, 2006	$ -	$ 28,298	$ 189,689	$ 160,593

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ -	$ -
Resources (inflows):				
Use of money and property	16,239	16,239	16,349	110
Transfer in	-	-	8,968	8,968
Amount available for appropriation	16,239	16,239	25,317	9,078
Charges to appropriations (outflows):				
Community development	27,630	27,630	25,317	2,313
Total charges to appropriations	27,630	27,630	25,317	2,313
Excess of resources over (under) charges to appropriations	(11,391)	(11,391)	-	11,391
Fund balance, June 30, 2006	$ (11,391)	$ (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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 31,700	$ (31,700)
Resources (inflows):				
Use of money and property	-	-	685	685
Amount available for appropriation	-	-	685	685
Charges to appropriations (outflows):				
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess of resources over (under) charges to appropriations	-	-	685	685
Fund balance, June 30, 2006	$ -	$ -	$ 32,385	$ (31,015)

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 4,730	$ (4,730)
Resources (inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	-	-	4,130	4,130
Amount available for appropriation	100,000	100,000	104,130	4,130
Charges to appropriations (outflows):				
Public safety	980	980	-	980
Capital outlay	-	-	-	-
Transfers out	103,749	103,749	103,749	-
Total charges to appropriations	104,729	104,729	103,749	980
Excess of resources over (under) charges to appropriations	(4,729)	(4,729)	381	5,110
Fund balance, June 30, 2006	$ (4,729)	$ (4,729)	$ 5,111	$ 380

City of Ridgecrest

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

Grant Operations - Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ -	$ -
Resources (inflows):				
Intergovernmental	76,000	76,000	76,000	-
Miscellaneous	-	-	300	300
Transfer in	-	-	21	21
Amount available for appropriation	76,000	76,000	76,321	321
Charges to appropriations (outflows):				
General government	76,000	85,941	76,321	(9,620)
Total charges to appropriations	76,000	85,941	76,321	9,620
Excess of resources over (under) charges to appropriations	-	(9,941)	-	9,941
Fund balance, June 30, 2006	$ -	$ (9,941)	$ -	$ 9,941

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 3,188	$ (3,188)
Resources (inflows):				
Intergovernmental	-	-	-	-
Use of money and property	-	-	127	127
Amount available for appropriation	-	-	127	127
Fund balance, June 30, 2006	$ -	$ -	$ 3,315	$ (3,061)

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 1	$ (1)
Resources (inflows):				
Intergovernmental	110,000	110,000	118,143	8,143
Use of money and property	-	-	2,568	2,568
Amount available for appropriation	110,000	110,000	120,711	10,711
Charges to appropriations (outflows):				
Transfers out	110,000	-	669	(669)
Total charges to appropriations	110,000	-	669	(669)
Excess of resources over (under) charges to appropriations	-	110,000	120,042	10,042
Fund balance, June 30, 2006	$ -	$ 110,000	$ 120,043	$ 10,041

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ -	$ -
Resources (inflows):				
Use of money and property	-	-	1,702	1,702
Charges for services	-	100,000	100,000	-
Transfers in	236,000	236,000	-	(236,000)
Amount available for appropriation	236,000	336,000	101,702	(234,298)
Charges to appropriations (outflows):				
Community development	-	48,563	48,563	-
Total charges to appropriations	-	48,563	48,563	-
Excess of resources over (under) charges to appropriations	-	(48,563)	53,139	-
Fund balance, June 30, 2006	$ -	$ (48,563)	$ 53,139	$ (234,298)

City of Ridgecrest

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

Fire Facilities Improvement - Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ -	$ -
Resources (inflows):				
Licenses and permits	-	-	1,253	1,253
Use of money and property	-	-	14	14
Amount available for appropriation	-	-	1,267	1,267
Fund balance, June 30, 2006	$ -	$ -	$ 1,267	$ 1,267

City of Ridgecrest

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

Traffic Impact Fee - Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ -	$ -
Resources (inflows):				
Licenses and permits	-	-	5,298	5,298
Use of money and property	-	-	60	-
Amount available for appropriation	-	-	5,358	5,358
Fund balance, June 30, 2006	$ -	$ -	$ 5,358	$ 5,358

City of Ridgecrest

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

Law Enforcement - Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ -	$ -
Resources (inflows):				
Licenses and permits	-	-	4,106	4,106
Use of money and property	-	-	46	46
Amount available for appropriation	-	-	4,152	4,152
Fund balance, June 30, 2006	$ -	$ -	$ 4,152	$ 4,152

City of Ridgecrest

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Storm Drainage Facilities - Special Revenue Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ -	$ -
Resources (inflows):				
Licenses and permits	-	-	7,188	7,188
Use of money and property	-	-	81	81
Amount available for appropriation	-	-	7,269	7,269
Fund balance, June 30, 2006	$ -	$ -	$ 7,269	$ 7,269

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 97,000	$ (97,000)
Resources (inflows):				
Use of money and property	-	17,503	18,653	1,150
Miscellaneous	-	10,275,000	10,525,000	250,000
Transfers in	185,515	657,650	1,086,007	428,357
Amount available for appropriation	185,515	10,950,153	11,629,660	679,507
Charges to appropriations (outflows):				
General government	199,673	1,097,233	1,091,668	5,565
Public safety	5,712	19,330	18,821	
Culture and leisure	-	29,178	24,422	4,756
Transfer out	-	341,184	340,189	
Total charges to appropriations	205,385	1,486,925	1,475,099	11,826
Excess of resources over (under) charges to appropriations	(19,870)	9,463,228	10,154,561	691,333
Fund balance, June 30, 2006	$ (19,870)	$ 9,463,228	$ 10,251,561	$ 594,333

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, 2006

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	Variance with Final Budget
Fund balance, July 1, 2005	$ -	$ -	$ 140,913	$ (140,913)
Resources (inflows):				
Use of money and property	-	-	11,436	11,436
Miscellaneous	-	117,000	278,718	161,718
Amount available for appropriation	-	117,000	290,154	173,154
Charges to appropriations (outflows):				
Public works	4,500	87,500	30,670	56,830
Transfer out	-	25,000	-	25,000
Total charges to appropriations	4,500	112,500	30,670	81,830
Excess of resources over (under) charges to appropriations	(4,500)	4,500	259,484	254,984
Fund balance, June 30, 2006	$ (4,500)	$ 4,500	$ 400,397	$ 114,071

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

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INTERNAL SERVICE FUND FINANCIAL STATEMENTS

Internal Service Funds of the City are outlined below:

Administration Fund - This fund is used to account for the cost of citywide central service function.

Human Resources & Risk Management **-** This fund is used to account for the costs of the City's risk management and self-insurance programs as well as its personnel management costs.

Information Systems - This fund is used to account for the cost associated with electronic data processing operations. This includes computer and network equipment maintenance and replacement as well as technical support services.

Printing and Reproduction Fund **-** This fund is used to account for the cost related to the centralized of copying, printing and reproduction of electronic data in paper form.

Financial Services Fund - This fund is used to account for the cost related to financial services provided to other departments as well as financial reserves.

Fleet Maintenance Fund **-** The fund is used to account for the cost of maintenance of motor vehicles, heavy and light equipments and equipment replacements.

City of Ridgecrest
Balance Sheets
All Internal Service Funds
June 30, 2006

	Adminstration	Human Resource Risk Management	Information System
ASSETS			
Current assets:			
Cash and investments	$ -	$ 3,472,579	$ 228,201
Interest receivable	-	38,586	4,313
Total current assets	-	3,511,165	232,514
Noncurrent assets:			
Inventories	-	-	-
Capital assets:			
Depreciable:			
Machinery and equipment	-	-	179,910
Less accumulated depreciation	-	-	(162,220)
Total noncurrent assets	-	-	17,690
Total assets	-	3,511,165	250,204
LIABILITIES			
Liabilities:			
Accounts payable	21,332	8,451	20,215
Salaries payable	4,300	2,925	4,441
Claims payable	-	532,043	-
Total liabilities	25,632	543,419	24,656
NET ASSETS			
Invested in capital assets	-	-	17,690
Unrestricted	(25,632)	2,967,746	207,858
Total net assets	$ (25,632)	$ 2,967,746	$ 225,548

Printing and Reproduction	Financial Services	Fleet Maintenance	Total
$ 208,469	$ 236,041	$ 25,638	$ 4,170,928
538	2,622	305	46,364
209,007	238,663	25,943	4,217,292
-	-	13,809	13,809
-	-	-	179,910
-	-	-	(162,220)
-	-	13,809	31,499
209,007	238,663	39,752	4,248,791
-	2,173	23,496	75,667
-	5,721	3,049	20,436
-	-	-	532,043
-	7,894	26,545	628,146
-	-	-	17,690
209,007	230,769	13,207	3,602,955
$ 209,007	$ 230,769	$ 13,207	$ 3,620,645

City of Ridgecrest
Statements of Revenues, Expenses and Changes in Retained Earnings
All Internal Service Funds
For the year ended June 30, 2006

	Adminstration	Human Resource Risk Management	Information System
OPERATING REVENUES:			
Charges for services	$ 471,446	$ 215,717	$ 772,673
Other revenues	-	554,936	895
Total operating revenues	471,446	770,653	773,568
OPERATING EXPENSES:			
Administration	505,075	-	-
Costs of sales and services	-	942,085	381,573
Depreciation	-	-	300
Total operating expenses	505,075	942,085	381,873
OPERATING INCOME (LOSS)	(33,629)	(171,432)	391,695
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	411	100,975	8,853
Total nonoperating revenues	411	100,975	8,853
INCOME (LOSS) BEFORE TRANSFERS	(33,218)	(70,457)	400,548
TRANSFERS:			
Transfers in	7,586	495,770	-
Transfers out	-	-	(175,000)
Total transfers in (out)	7,586	495,770	(175,000)
Change in net assets	(25,632)	425,313	225,548
NET ASSETS:			
Beginning of year	-	2,542,433	-
End of year	$ (25,632)	$ 2,967,746	$ 225,548

Printing and Reproduction	Financial Services	Fleet Maintenance	Totals
$ -	$ 660,200	$ 464,803	$ 2,584,839
-	-	-	555,831
-	660,200	464,803	3,140,670
-	-	464,682	969,757
-	419,807	-	1,743,465
-	-	-	300
-	419,807	464,682	2,713,522
-	240,393	121	427,148
1,007	5,376	313	116,935
1,007	5,376	313	116,935
1,007	245,769	434	544,083
208,000	-	14,611	725,967
-	(15,000)	(1,838)	(191,838)
208,000	(15,000)	12,773	534,129
209,007	230,769	13,207	1,078,212
-	-	-	2,542,433
$ 209,007	$ 230,769	$ 13,207	$ 3,620,645

City of Ridgecrest
Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2006

	Adminstration	Human Resource Risk Management	Information System
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	$ 471,446	$ 216,083	$ 772,673
Payments to suppliers	(483,743)	(934,925)	(361,358)
Payments to employees	4,300	1,778	4,441
Insurance premiums and settlements	-	100,227	-
Cash received from (payments to) other	-	554,936	895
Net cash provided (used) by operating activities	(7,997)	(61,901)	416,651
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	7,586	495,770	-
Transfers out	-	-	(175,000)
Net cash provided (used) by noncapital financing activities	7,586	495,770	(175,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	(17,990)
Net cash provided (used) by capital and related financing activities	-	-	(17,990)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	411	80,501	4,540
Net cash provided (used) by investing activities	411	80,501	4,540
Net increase (decrease) in cash and cash equivalents	-	514,370	228,201
CASH AND INVESTMENTS:			
Beginning of year	-	2,958,209	-
End of year	$ -	$ 3,472,579	$ 228,201
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (33,629)	$ (171,432)	$ 391,695
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	300
Changes in current assets and liabilities:			
Accounts receivable	-	366	-
Due from other funds	-	-	-
Accounts payable	21,332	7,160	20,215
Due to other funds	-	-	-
Salaries payable	4,300	1,778	4,441
Claims payable	-	100,227	-
Deferred revenue	-	-	-
Total adjustments	25,632	109,531	24,956
Net cash provided (used) by operating activities	$ (7,997)	$ (61,901)	$ 416,651

Printing and Reproduction	Financial Services	Fleet Maintenance	Totals
$ -	$ 660,200	$ 464,803	$ 2,585,205
-	(417,634)	(441,186)	(2,638,846)
-	5,721	3,049	19,289
-	-	-	100,227
-	-	-	555,831
-	248,287	26,666	621,706
208,000	-	14,611	725,967
-	(15,000)	(1,838)	(191,838)
208,000	(15,000)	12,773	534,129
-	-	(13,809)	(31,799)
-	-	(13,809)	(31,799)
469	2,754	8	88,683
469	2,754	8	88,683
208,469	236,041	25,638	1,212,719
-	-	-	2,958,209
$ 208,469	$ 236,041	$ 25,638	$ 4,170,928
$ -	$ 240,393	$ 121	$ 427,148
-	-	-	300
-	-	-	366
-	-	-	-
-	2,173	23,496	74,376
-	-	-	-
-	5,721	3,049	19,289
-	-	-	100,227
-	-	-	-
-	7,894	26,545	194,558
$ -	$ 248,287	$ 26,666	$ 621,706

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

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City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

Fiduciary Funds

City of Ridgecrest
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust Funds		
	Parks and Recreation Donation	Senior Donation	Total
ASSETS			
Cash and investments	$ 12,355	$ 84	$ 12,439
Accounts receivable	-	-	-
Interest receivable	137	1	138
Total assets	12,492	85	12,577
LIABILITIES			
Accounts payable	2,922	-	2,922
Interfund payable	-	-	-
Due to bondholders - special assessment district	-	-	-
Total liabilities	2,922	-	2,922
NET ASSETS			
Reserved for:			
Unrestricted	9,570	85	9,655
Total net assets	$ 9,570	$ 85	$ 9,655

City of Ridgecrest
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Trust Funds
For the year ended June 30, 2006

	Private Purpose Trust Funds		
	Park & Recreation Donation	Senior Donation	Total
REVENUES:			
Use of property and money	$ 559	$ 3	$ 562
Other revenue	250	-	250
Total revenues	809	3	812
EXPENDITURE:			
General government	7,566	-	7,566
Total expenses	7,566	-	7,566
REVENUE OVER (UNDER) EXPENDITURES	(6,757)	3	(6,754)
NET ASSETS:			
Beginning of year	16,327	82	16,409
End of year	$ 9,570	$ 85	$ 9,655

City of Ridgecrest
Statement of Changes in Assets and Liabilities
All Agency Funds
June 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
ALL AGENCY FUNDS				
Assets:				
Cash and investments	$ 700,645	$ 744,385	$ (427,765)	$ 1,017,265
Accounts receivable	8,742	4,435	(8,742)	4,435
Interest receivable	3,524	5,793	(3,524)	5,793
Sewer assessment receivable	286,556	-	(286,556)	-
Total assets	$ 999,467	$ 754,613	$ (726,587)	$ 1,027,493
Liabilities:				
Accounts payable	$ 40,289	$ -	$ (40,289)	$ -
Interest payable	287,187	58,848	(287,187)	58,848
Due to bondholders - special assessment district	671,991	296,654	-	968,645
Total liabilities	$ 999,467	$ 355,502	$ (327,476)	$ 1,027,493

City of Ridgecrest
Comprehensive Annual Financial Report
For the year ended June 30, 2006

Capital Assets

City of Ridgecrest
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source*
June 30, 2006

GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	$ 4,027,873
Buildings and improvements	25,916,582
Machinery and equipment	4,259,304
Infrastructure	86,172,427
Construction in process	740,483
Total governmental funds capital assets	121,116,669
Accumulated depreciation	
Buildings and improvements	(14,657,149)
Machinery and equipment	(3,330,884)
Infrastructure	(45,719,970)
Total accumulated depreciation	(63,708,003)
Total governmental funds capital assets, net	$ 57,408,666

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:	
General fund	$ 8,209,399
Special revenue funds	112,907,270
Total governmental funds capital assets	121,116,669
Accumulated depreciation	
General fund	(3,917,416)
Special revenue funds	(59,790,587)
Total accumulated depreciation	(63,708,003)
Total governmental funds capital assets, net	$ 57,408,666

* 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, 2006

	Balance July 1, 2005	Additions	Retirements or Transfers	Balance June 30, 2006
FUNCTION AND ACTIVITY:				
General government	$ 6,350,890	$ 88,826	$ (15,297)	$ 6,424,419
Public safety	987,464	184,660	(24,551)	1,147,573
Transportation	83,515,242	853,309	-	84,368,551
Community development	16,588,547	-	(64,552)	16,523,995
Culture & Leisure	12,372,864	279,267	-	12,652,131
Total governmental funds capital assets	119,815,007	1,406,062	(104,400)	121,116,669
Accumulated depreciation				
General government	(2,399,475)	(179,824)	-	(2,579,299)
Public safety	(785,525)	(75,147)	23,323	(837,349)
Transportation	(43,124,065)	(2,332,989)	-	(45,457,054)
Community development	(7,427,720)	(890,520)	-	(8,318,240)
Culture & Leisure	(6,423,376)	(92,685)	-	(6,516,061)
Total governmental funds capital assets	(60,160,161)	(3,571,165)	23,323	(63,708,003)
Governmental funds capital assets, net				
General government	3,951,415	(90,998)	(15,297)	3,845,120
Public safety	201,939	109,513	(1,228)	310,224
Transportation	40,391,177	(1,479,680)	-	38,911,497
Community development	9,160,827	(890,520)	(64,552)	8,205,755
Culture & Leisure	5,949,488	186,582	-	6,136,070
Total governmental funds capital assets, net	$ 59,654,846	$ (2,165,103)	$ (81,077)	$ 57,408,666

* 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, 2006

	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Total
GOVERNMENTAL FUNDS CAPITAL ASSETS:					
General government	$ 2,152,470	$ 1,710,765	$ 2,561,185	$ -	$ 6,424,420
Public safety	-	-	1,147,573	-	1,147,573
Transportation	-	-	-	84,368,550	84,368,550
Community development	1,875,403	12,092,609	11,623	2,544,360	16,523,995
Culture & Leisure	-	12,113,208	538,923	-	12,652,131
Total governmental funds capital assets	4,027,873	25,916,582	4,259,304	86,912,910	121,116,669
Accumulated depreciation					
General government	-	(489,977)	(2,089,322)	-	(2,579,299)
Public safety	-	(7,120)	(830,230)	-	(837,350)
Transportation	-	-	-	(45,457,053)	(45,457,053)
Community development	-	(8,052,385)	(2,939)	(262,917)	(8,318,241)
Culture & Leisure	-	(6,107,667)	(408,393)	-	(6,516,060)
	-	(14,657,149)	(3,330,884)	(45,719,970)	(63,708,003)
Total governmental funds capital assets, net	$ 4,027,873	$ 11,259,433	$ 928,420	$ 41,192,940	$ 57,408,666

* 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, 2006

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

CONTENTS PAGE

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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Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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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 Four Fiscal Years (accrual basis of accounting)

	FISCAL YEARS			
	2006	2005	2004	2003
Governmental activities				
Invested in capital assets, net of related debt	$ 36,723,055	$ 38,924,688	$ 41,091,665	$ 39,690,604
Restricted	9,423,134	6,582,149	302,406	272,879
Unrestricted	3,210,134	1,657,163	5,095,753	4,902,632
Total governmental activities net assets	49,356,323	47,164,000	46,489,824	44,866,115
Business type activities				
Invested in capital assets, net of related debt	16,761,833	16,045,165	18,098,541	18,722,370
Restricted	-	-	-	-
Unrestricted	12,279,782	12,271,560	9,759,630	8,294,789
Total business type activities net assets	29,041,615	28,316,725	27,858,171	27,017,159
Primary government				
Invested in capital assets, net of related debt	53,484,888	54,969,853	59,190,206	58,412,974
Restricted	9,423,134	6,582,149	302,406	272,879
Unrestricted	15,489,916	13,928,723	14,855,383	13,197,421
Total primary government net assets	$ 78,397,938	$ 75,480,725	$ 74,347,995	$ 71,883,274

Note: The City of Ridgecrest implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF RIDGECREST
Schedule 2
Changes in Net Assets
Last Four Fiscal Years (accrual basis of accounting)

	FISCAL YEARS			
	2006	2005	2004	2003
Expenses				
Governmental activities:				
General government	$ 599,126	$ 3,633,285	$ 2,610,200	$ 3,976,140
Public safety	6,080,189	4,600,609	4,247,413	4,063,910
Public works	1,130,177	5,102	503,305	3,194,051
Transportation	2,344,059	3,202,007	2,983,211	1,942,939
Community development	3,005,308	1,362,832	1,384,567	3,204,303
Health	887,698	45,893	36,697	349,276
Culture and leisure	1,924,492	1,473,004	2,109,798	1,831,619
Interest and fiscal agent fees	2,176,002	1,265,420	1,300,781	1,583,289
Total governmental activities expenses	18,147,051	15,588,152	15,175,972	20,145,527
Business type activities:				
TDA Transit	657,291	519,590	505,599	550,332
Wastewater	1,877,549	1,006,344	958,436	666,729
Total business type activities expenses	2,534,840	1,525,934	1,464,035	1,217,061
Total primary government expenses	$ 20,681,891	$ 17,114,086	$ 16,640,007	$ 21,362,588
Program Revenues				
Governmental activities:				
General government	167,353	237,313	390,724	145,141
Public safety	444,366	390,336	305,217	493,335
Public works	-	-	-	-
Transportation	650,689	797,298	1,144,717	1,233,797
Community development	1,210,982	530,726	886,742	1,446,222
Health	-	49	-	-
Culture and leisure	404,028	459,679	399,820	718,577
Interest and fiscal agent fees	-	-	-	-
Total governmental activities program revenues	2,877,418	2,415,401	3,127,220	4,037,072
Business type activities:				
TDA Transit	93,024	168,143	137,409	97,929
Wastewater	2,105,194	1,978,225	1,833,614	1,879,401
Total business type activities program revenues	2,198,218	2,146,368	1,971,023	1,977,330
Total primary government program revenues	$ 5,075,636	$ 4,561,769	$ 5,098,243	$ 6,014,402
Net (Expense)/Revenue				
Governmental activities	(15,269,633)	(13,172,751)	(12,048,752)	(16,108,455)
Business type activities	(336,622)	620,434	506,988	760,269
Total primary government net expense	$ (15,606,255)	$ (12,552,317)	$ (11,541,764)	$ (15,348,186)

CITY OF RIDGECREST
Schedule 2
Changes in Net Assets
Last Four Fiscal Years (accrual basis of accounting)

	FISCAL YEARS			
	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	6,520,691	4,452,522	3,445,492	2,969,614
Sales taxes	3,392,280	2,807,751	2,705,467	2,592,363
Special assessments	-	1,738	349	5,400
Other taxes	3,007,834	3,019,446	2,709,319	3,101,059
Investment earnings	454,613	203,827	129,142	158,205
Miscellaneous	2,171,014	1,831,295	997,998	572,527
Gain (loss) on disposal of capital assets	809,326	-	-	-
Transfers	401,031	1,051,811	431,912	732,478
Total governmental activities	16,756,789	13,368,390	10,419,679	10,131,646
Business type activities:				
Other taxes	718,734	586,019	579,761	683,228
Investment earnings	502,255	255,984	186,175	274,756
Miscellaneous	13,388	-	-	-
Transfers	(401,031)	(1,051,811)	(431,912)	(732,478)
Total business type activities	833,346	(209,808)	334,024	225,506
Total primary government	$ 17,590,135	$ 13,158,582	$ 10,753,703	$ 10,357,152
Change in Net Assets				
Governmental activities	1,487,156	195,639	(1,629,073)	(5,976,809)
Business type activities	496,724	410,626	841,012	985,775
Total primary government	$ 1,983,880	$ 606,265	$ (788,061)	$ (4,991,034)

Note: The City of Ridgecrest implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF RIDGECREST
Schedule 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

	FISCAL YEARS				
	2006	2005	2004	2003	2002
General fund					
Reserved	$ 305,836	$ -	$ 536,280	$ 318,132	$ 361,404
Unreserved	2,359,373	2,344,973	1,796,246	2,169,848	2,591,372
Total general fund	2,665,209	2,344,973	2,332,526	2,487,980	2,952,776
All other governmental funds					
Reserved	13,184,361	-	2,647,904	3,407,708	5,145,508
Unreserved, reported in:					
Special revenue funds	1,298,702	122,365	99,787	(276,527)	(544,120)
Debt service fund	(7,412,765)	4,003,925	648,107	301,748	-
Capital projects funds	679,826	672,438	(267,567)	(571,372)	(157,619)
Total all other governmental fund	$ 7,750,124	$ 4,798,728	$ 3,128,231	$ 2,861,557	$ 4,443,769

CITY OF RIDGECREST
Schedule 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

	FISCAL YEARS				
	2001	2000	1999	1998	1997
General fund					
Reserved	$ 351,712	$ 41,138	$ 176,877	$ 244,503	$ 184,019
Unreserved	4,402,533	3,139,736	1,935,666	1,908,614	2,209,808
Total general fund	4,754,245	3,180,874	2,112,543	2,153,117	2,393,827
All other governmental funds					
Reserved	4,047,515	2,230,324	2,925,229	2,839,774	2,786,520
Unreserved, reported in:					
Special revenue funds	110,111	1,215,180	1,030,963	83,561	279,990
Debt service fund	(998)	-	-	-	-
Capital projects funds	439,935	1,493,609	1,476,729	2,576,173	2,803,187
Total all other governmental fund	$ 4,596,563	$ 4,939,113	$ 5,432,921	$ 5,499,508	$ 5,869,697

CITY OF RIDGECREST
Schedule 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

	FISCAL YEARS				
	2006	2005	2004	2003	2002
Revenues					
Taxes	$ 12,247,901	$ 8,725,616	$ 7,657,442	$ 7,300,623	$ 7,135,067
Intergovernmental	1,917,323	2,626,347	3,253,013	4,477,119	4,187,715
Licenses, permits and fees	649,325	447,594	245,025	248,319	245,583
Fines and forfeitures	93,498	97,364	104,260	100,396	79,580
Use of money and property	464,460	274,229	202,816	263,345	382,629
Charges for services	923,449	773,345	623,191	497,612	465,605
Assessment revenues	26,427	1,738	349	1,573	2,736
Other revenue	12,874,961	901,769	318,051	531,145	584,799
Total revenues	29,197,344	13,848,002	12,404,147	13,420,132	13,083,714
Expenditures					
General Government	1,697,881	2,337,292	2,245,850	3,124,345	2,589,481
Public safety	5,854,964	4,370,041	3,862,446	3,933,757	4,046,744
Public works	1,130,177	286,716	549,946	777,075	-
Transportation	-	698,515	562,118	1,842,018	2,469,333
Community development	2,146,409	1,267,298	1,115,528	3,169,935	1,485,757
Health	873,806	27,683	8,669	336,488	473,511
Culture and leisure	1,820,699	1,368,935	1,263,589	1,742,237	1,518,235
Capital outlay	-	-	1,109,864	-	-
Debt service:					
Principal	10,361,445	844,167	792,923	671,202	4,855,800
Interest	2,108,534	1,270,947	1,312,023	1,358,421	1,486,697
Total expenditures	25,993,915	12,471,594	12,822,956	16,955,478	18,925,558
Excess of revenues over (under) expenditures	3,203,429	1,376,408	(418,809)	(3,535,346)	(5,841,844)
Other financing sources (uses)					
Proceeds from capital lease	-	-	170,735	1,038,183	4,389,981
Transfers in	6,728,624	5,914,392	4,367,282	5,421,253	5,810,163
Transfers out	(6,861,722)	(5,607,856)	(4,007,988)	(4,971,098)	(6,312,563)
Total other financing sources (uses)	(133,098)	306,536	530,029	1,488,338	3,887,581
Net change in fund balances	$ 3,070,331	$ 1,682,944	$ 111,220	$ (2,047,008)	$ (1,954,263)
Debt service as a percentage of non-capital expenditures	48.0%	17.0%	18.0%	12.0%	33.5%

CITY OF RIDGECREST
Schedule 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

	FISCAL YEARS				
	2001	2000	1999	1998	1997
Revenues					
Taxes	$ 7,383,128	$ 7,093,627	$ 7,216,702	$ 7,922,926	$ 8,013,283
Intergovernmental	3,863,857	2,955,037	3,090,302	2,963,123	2,370,786
Licenses, permits and fees	115,473	97,023	127,426	95,816	87,331
Fines and forfeitures	82,494	122,971	129,052	44,887	76,312
Use of money and property	630,207	526,666	455,707	516,299	490,138
Charges for services	451,993	433,436	538,875	412,333	659,308
Assessment revenues	1,321	1,474	-	16,116	3,438
Other revenue	1,203,099	598,699	252,016	325,448	1,025,595
Total revenues	13,731,572	11,828,933	11,810,080	12,296,948	12,726,191
Expenditures					
General Government	1,603,392	1,358,885	1,696,081	1,656,861	1,890,555
Public safety	3,875,717	3,514,006	3,627,787	3,594,074	3,429,043
Public works	-	-	-	-	-
Transportation	1,583,683	835,795	1,978,137	1,700,493	925,572
Community development	1,782,139	1,916,794	1,118,139	1,762,331	1,602,316
Health	406,118	124,330	50,373	358,793	374,826
Culture and leisure	1,497,989	957,661	1,077,273	1,107,297	1,096,134
Capital outlay	-	-	-	-	-
Debt service:					
Principal	622,523	18,874,430	1,419,114	976,985	1,077,576
Interest	1,367,140	1,681,814	1,260,661	1,705,727	1,855,526
Total expenditures	12,738,701	29,263,715	12,227,565	12,862,561	12,251,548
Excess of revenues over (under) expenditures	992,871	(17,434,782)	(417,485)	(565,613)	474,643
Other financing sources (uses)					
Proceeds from capital lease	-	17,939,675	-	53,515	50,144
Transfers in	3,803,827	3,240,437	4,030,692	3,868,564	3,611,233
Transfers out	(3,565,877)	(3,200,666)	(3,803,624)	(3,666,656)	(3,411,233)
Total other financing sources (uses)	237,950	17,979,446	227,068	255,423	250,144
Net change in fund balances	$ 1,230,821	$ 544,664	$ (190,417)	$ (310,190)	$ 724,787
Debt service as a percentage of non-capital expenditures	15.6%	70.2%	21.9%	20.9%	23.9%

CITY OF RIDGECREST
Schedule 5
Assessed Value of Taxable Property
Last Ten Fiscal Years

CATEGORY	2006	2005	2004	2003	2002
Residential	$ 788,678,966	$ 713,926,081	$ 633,401,029	$ 580,667,757	$ 569,181,954
Commercial	157,444,654	143,927,504	129,256,590	123,503,418	123,985,900
Industrial	10,882,183	10,860,581	10,413,965	10,113,348	9,989,713
Government	136,999	132,341	156,446	152,488	149,549
Institutional	12,205,814	12,553,443	13,614,469	10,817,736	10,693,526
Miscellaneous	154,247	151,512	151,691	146,374	143,793
Recreational	4,721,225	4,484,762	3,619,797	3,507,733	3,490,803
Vacant Land	36,481,201	34,935,069	31,321,458	31,213,075	32,984,147
SBE Non-Unitary	842,761	842,761	800	800	800
Unsecured	27,176,839	28,626,497	27,232,504	28,203,161	30,858,937
Exempt	(984,427)	(988,262)	(1,108,762)	(2,289,514)	(2,530,752)
Unknown	533,877	394,287	394,763	380,610	370,097
TOTALS	1,039,258,766	950,834,838	849,563,512	78,870,650	781,849,219
Total Direct Rate	0.57120%	0.51486%	0.45724%	0.41538%	0.42577%

NOTES:
Exempt values are not included in Total

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only assessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Coren & Cone

CITY OF RIDGECREST
Schedule 5
Assessed Value of Taxable Property
Last Ten Fiscal Years

CATEGORY	2001	2000	1999	1998	1997
Residential	$ 572,575,284	$ 583,914,379	$ 608,205,243	$ 642,229,822	$ 663,997,076
Commercial	127,824,529	128,198,124	136,917,592	134,684,228	143,534,407
Industrial	10,913,461	10,663,392	10,705,169	12,343,239	13,071,767
Government	146,666	828,749	126,121	333,164	319,494
Institutional	10,521,662	9,989,152	9,930,170	9,834,882	9,683,658
Miscellaneous	141,263	138,782	136,526	134,138	146,945
Recreational	3,438,048	3,392,651	3,500,764	3,244,034	3,133,824
Vacant Land	33,043,434	44,044,015	41,779,730	44,250,016	50,501,500
SBE Non-Unitary	300	300	300	300	300
Unsecured	26,111,600	26,344,769	25,018,424	25,016,450	24,103,845
Exempt	(2,135,314)	(745,195)	(4,508,260)	(1,263,143)	-
Unknown	383,603	474,281	465,886	502,816	507,481
TOTALS	785,099,850	807,988,594	836,785,925	872,573,089	909,000,297
Total Direct Rate	0.42901%	0.47986%	0.49842%	0.51959%	0.53878%

CITY OF RIDGECREST
Schedule 6
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years (RATE PER $100 OF TAXABLE VALUE)

10 Year Detail of Rates producing Revenue for City of Ridgecrest and Ridgecrest Redevelopment Agency					
City General Fund Direct Rates				RDA Incremental Rate	Total Direct Rate
Year	City Share of 1% Levy per Prop. 13	Debt Rate(s)	Total City Rates	1% + applicable voter approved debt	
2005-2006	0.51910%	0.00000%	0.51910%	1.00000%	0.57120%
2004-2005	0.51910%	0.00000%	0.51910%	1.00000%	0.51486%
2003-2004	0.51910%	0.00000%	0.51910%	1.00000%	0.45724%
2002-2003	0.51910%	0.00000%	0.51910%	1.00000%	0.41538%
2001-2002	0.51910%	0.00000%	0.51910%	1.00000%	0.42577%
2000-2001	0.51910%	0.00000%	0.51910%	1.00000%	0.42901%
1999-2000	0.51910%	0.00000%	0.51910%	1.00000%	0.47986%
1998-1999	0.51910%	0.00000%	0.51910%	1.00000%	0.49884%
1997-1998	0.51910%	0.00000%	0.51910%	1.00000%	0.51959%
1996-1997	0.51910%	0.00000%	0.51910%	1.00000%	0.53878%

10 Year Detail of all Taxpayer Rates for Largest General Fund Tax Rate Area 010-019										
Agency	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998	1996-1997
City of Ridgecrest	0.05191	0.05191	0.05191	0.05191	0.05191	0.05191	0.05191	0.05191	0.05191	0.05191
Child Development Fund	0.00509	0.00509	0.00509	0.00509	0.00509	0.00509	0.00509	0.00509	0.00509	0.00509
County Advertising	0.00069	0.00069	0.00069	0.00069	0.00069	0.00069	0.00069	0.00069	0.00069	0.00069
East Kern Res Con	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066
Education	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917
Education Revenue Augmentation Fund	0.12504	0.12504	0.12504	0.12504	0.12504	0.12504	0.12504	0.12504	0.12504	0.12504
Fire	0.10577	0.10577	0.10577	0.10577	0.10577	0.10577	0.10577	0.10577	0.10577	0.10577
Kern Community College	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770
Kern County	0.14117	0.14117	0.14117	0.14117	0.14117	0.14117	0.14117	0.14117	0.14117	0.14117
Kern County Water Agency	0.00719	0.00719	0.00719	0.00719	0.00719	0.00719	0.00719	0.00719	0.00719	0.00719
Sierra Unified School	0.47560	0.47560	0.47560	0.47560	0.47560	0.47560	0.47560	0.47560	0.47560	0.47560
TOTAL PROP. 13 RATE	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**
KCCD SFID #1	0.00963	0.00918	0.01180	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total Voter Approved Rate	**0.00963**	**0.00918**	**0.01180**	**0.00000**	**0.00000**	**0.00000**	**0.00000**	**0.00000**	**0.00000**	**0.00000**
TOTAL TAX RATE	**1.00963**	**1.00918**	**1.01180**	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**	**1.00000**

NOTES:

- General fund tax rates are representative and based upon the directand overlapping rates for the largest General fund tax rate area (TRA) by net taxable value. rows.
- RDA rate is based on the largest RDA tax rate area and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. property resides within. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: HdL Coren & Cone

CITY OF RIDGECREST
Schedule 7
Top Ten Principal Property Taxpayers
Fiscal Year 2006 and Nine Years Prior

	2006			1997		
Taxpayer	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
1402 Alta Vista Partners LLC	1	$ 14,865,050	1.38%			
Home Depot Development of Maryland Inc.	2	10,921,079	1.01%			
Carriage Inn	3	8,150,652	0.76%	1	7,621,537	0.81%
Albertsons, Inc	4	7,240,625	0.67%	6	4,999,065	0.53%
Drummond Medical Group Inc.	5	6,871,878	0.64%	5	5,878,212	0.63%
Walmart Stores Inc.	6	6,992,190	0.65%	3	5,838,869	0.62%
Ridgecrest Heritage House	7	6,323,412	0.59%			
SB North China Lake Road LLC	8	5,100,000	0.47%			
Ridgecrest Capital Limited Partnership	9	4,718,927	0.44%			
Alta One Federal Credit Union	10	4,499,558	0.42%			
Ridgecrest Associates				2	6,328,495	0.67%
Berkshire Business First Trust				4	5,109,438	0.54%
Ninevah Mobile Home Estates Limited				7	4,181,428	0.45%
Mervyns				8	3,923,603	0.42%
Ridgecrest Heritage Inn				9	3,783,157	0.40%
C & J Properties				10	3,695,660	0.39%
Top Ten Totals		$ 75,683,371	7.02%		$ 51,359,464	5.47%
CITY TOTALS		1,078,239,886			938,511,878	

Source: HdL Coren & Cone

CITY OF RIDGECREST
Schedule 8
Property Tax Levies and Collections
Last Eight 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	
2006	5,822,621	5,817,552	99.91%	5,070
2005	4,958,439	4,953,104	99.89%	5,335
2004	3,915,945	3,908,652	99.81%	7,293
2003	3,446,694	3,441,268	99.84%	5,426
2002	3,311,476	3,307,514	99.88%	3,962
2001	3,325,516	3,318,986	99.80%	6,531
2000	3,481,425	3,476,202	99.85%	5,223
1999	3,805,992	3,668,289	96.38%	137,704

NOTES:

The amounts presented include City property taxes and Redevelopment Agency tax increment.

Collections of tax deliquencies in later years are not available from the source.

Data prior to fiscal year 1999 is also not available.

Source: Kern County Auditor-Controller
www.co.kern.ca.us/auditor/confirmations

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

	GOVERNMENTAL ACTIVITIES							
Fiscal Year	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Loans Payable	Capital Lease	Total Primary Government	Percentage of Personal Income a	Per Capita a
2006	$ 9,870,000	$ 9,590,000	$ 315,000	$ 1,200,000	$ 1,225,614	$ 22,200,614	4.49%	$ 837
2005	-	19,355,000	405,000	1,400,000	1,167,060	22,327,060	4.74%	843
2004	-	20,070,000	485,000	1,600,000	1,135,552	23,290,552	5.35%	901

NOTES:

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

The City of Ridgecrest has elected to show only three years of data for this schedule.

CITY OF RIDGECREST
Schedule 10
Ratios of General Bonded Debt Outstanding
Last Three Fiscal Years

	GOVERNMENTAL ACTIVITIES					
Fiscal Year	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Total	Percentage of Taxable Assessed Property Values a	Per Capita b
2006	$ 9,870,000	$ 9,590,000	$ 315,000	$ 19,775,000	1.90%	$ 746
2005	-	19,355,000	405,000	19,760,000	2.08%	746
2004	-	20,070,000	485,000	20,555,000	2.42%	795

NOTES:

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

The City of Ridgecrest has elected to show only threee years of data for this schedule.

CITY OF RIDGECREST
Schedule 11
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

OVERLAPPING TAX AND ASSESSMENT DEBT:	Debt Outstanding 6/30/2006	% Applicable [1]	City's Share of Debt as of 6/30/06
Kern Community College District School Facilities Improvement District	$ 56,526,680.00	0.940%	$ 531,351
Kern Community College District Assessment District	6,605,800	1.016%	67,107
City of Ridgecrest 1915 Act Bonds	315,000	100.000%	315,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$ 913,458
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Kern County Certificates of Participation	73,807,000	0.866%	639,169
Kern County Pension Obligations	489,906,067	0.866%	4,242,587
Kern County Board of Education Certificates of Participation	58,210,000	0.866%	504,099
Kern County Community College District Certificates of Participation	85,560,000	0.848%	725,549
City of Ridgecrest Certificates of Participation	**9,870,000**	**100.000%**	**9,870,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	717,353,067		$ 15,981,403
COMBINED TOTAL DEBT			16,894,860 [2]

NOTES:

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) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Source: California Municipal Statistics, Inc.

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

Legal Debt Margin Calculation	FY 2006	FY 2005	FY 2004
Assessed value	$ 1,039,258,766	$ 950,834,838	$ 849,563,512
Debt limit (15% of assessed value)	155,888,815	142,625,226	127,434,527
Debt applicable to limit:			
General obligation bonds	19,775,000	19,760,000	20,555,000
Less: Amount set aside for repayment of general obligation debt	2,265,223	1,865,888	1,859,194
Total net debt applicable to limit	17,509,777	17,894,112	18,695,806
Legal Debt Margin	138,379,038	124,731,113	108,738,721
Total debt applicable to the limit as a percentage of debt limit	12.65%	14.35%	17.19%

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

The City of Ridgecrest has elected to show only three years of data for this schedule.

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

	REDEVELOPMENT BONDS			
Fiscal Year	Net Property Tax Increment	Debt Service Principal	Debt Service Interest	Coverage
2006	$ 5,451,361	$ 9,765,000	$ 1,570,069	0.48
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 Principal	Debt Service Interest	Coverage
2006	$ 113,633	$ 125,700	$ 90,000	$ 29,810	2.00
2005	109,046	125,700	80,000	36,803	2.01
2004	105,976	125,700	75,000	43,158	1.96

NOTES:

The City of Ridgecrest has elected to show only three years of data for this schedule.

The City of Ridgecrest issued 2005 Refunding Certificate of Participation bond for $10,275,000. The proceeds from this refunding was used to defease the balance of one of the Redevelopment Bonds. The amount defeased was $9,250,000.

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

Year	Population	Personal Income	Personal Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2006	26,515	494,133,540	18,636	29.8	5,972	3.40%
2005	26,493	470,595,159	17,763	30.1	5,889	4.60%
2004	25,842	435,308,490	16,845	30.5	5,813	5.60%

NOTES:

The City of Ridgecrest has elected to show only three years of data for this schedule.

The Personal per Capita Income and Median age are reinstated to reflect the estimates for the Kern County by the U.S. Census Bureau.

The personal income is calculated by multiplying the personal per capita income estimates by the population estimates.

n/a = not available

Source: Population - California Department of Finance
www.dof.ca.gov

School Enrollment - California Department of Education (includes only the school district and charter school enrollment)
www.cde.ca.gov

Unemployment Rate - California Labor Market
www.labormarketinfo.edd.ca.gov

Personal Per Capita Income & Median Age - U.S. Census Bureau
www.census.gov

CITY OF RIDGECREST
Schedule 15
Principal Employers
Fiscal Year 2006 and Two Years Prior

	2006			2004		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Weapons Station China Lake (3251 civilians & 951 military)	4202	1	31.4%	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%
Alta One Federal Credit Union	161	9	1.2%	161	8	1.2%
Desert Area Resources and Training	155	10	1.2%			0.0%
Advanced Information Engineering Services				280	5	2.1%
L-3 Communications, Government Services				150	9	1.1%
City of Ridgecrest				134	10	1.0%
			51.7%			51.6%

NOTES:

The earliest data available to the City of Ridgecrest was from two years prior.

Source: Ridgecrest Chamber of Commerce
www.ridgecrestchamber.com

CITY OF RIDGECREST

Schedule 16

Full Time Equivalent City Government Employees by Function/Program
Last Three Fiscal Years (As of June 30)

FUNCTION/PROGRAM	2006	2005	2004
General Government			
City Council	5	5	5
City Manager	3.75	2.5	2
City Clerk	1	1	1
Finance & Technology	9.75	8.5	11
Human Resources	1	1	1
Community Development	7	5	12
Public Safety			
Police Officers-Sworn	35	30	30.5
Other Full Time Employees	15.5	26	25.46
Public Works			
Engineering	3	4	2
Maintenance	9	7	8
Transit Services	8	8.5	8.5
Wastewater/Sewer	5	5	5
Culture & Recreation	22.4	23.86	23.54
Grant Funded Programs			
Work Investment Act	2.98	3.48	3.48

NOTES:

The City of Ridgecrest has elected to show only three years of data for this schedule.

Source: City's Budget Documents as approved by the City Council

CITY OF RIDGECREST
Schedule 17
Operating Indicators by Function/Program
Last Three Fiscal Years (As of June 30)

FUNCTION/PROGRAM	2006	2005	2004
Police			
Physical Arrests	2,519	2,078	1,935
Parking Violations	134	216	252
Traffic Violations	2,338	2,844	2,887
Community Development			
Building Permits Issued	768	465	473
Building Permits Valuation (in millions)	35	23	16
Building Inspections Performed	5,850	2,557	2,039
Planning Permits Issued	197	113	86
Public Services			
Street Resurfacing (miles)	1	2.0	0.5
Street Light Replacement [a]	n/a	n/a	n/a
Potholes Filled	2,011	2,000	1,500
Waste Water Average Daily Treatment (millions of gallons)	2.6	2.5	2.4
Transit Route (Service) Miles	91,998	112,052	110,947
Transit Passenger Count	33,967	40,374	38,775
Parks & Recreation			
Sports Field Participation	87,536	87,564	87,518
Community Center/Gym/Pool Participation	99,638	94,933	74,996
Other Participation	35,730	36,738	37,170

NOTES:

The City of Ridgecrest has elected to show only three years of data for this schedule.

a) Street light replacement is done by Southern California Edison

CITY OF RIDGECREST
Schedule 18
Capital Asset Statistics by Function/Program
Last Three Fiscal Years

FUNCTION/PROGRAM	2006	2005	2004
Police			
Stations	1	1	1
Patrol Units (marked)	10	13	11
Motorcycle unit	1	1	0
K-9 unit	1	1	0
Streets			
Streets (miles)	130.5	130	130
Streetlights	347	337	337
Traffic Signals	7	7	7
Culture & Recreation			
Total Park Acreage	25.88	25.88	25.88
Parks	6	6	6
Baseball Fields	4	4	4
Softball Fields	3	3	3
Soccer Fields	4	4	4
Football Fields	1	1	1
Tennis Courts	6	6	6
Swimming Pools	1	1	1
Community Centers	2	2	2
Waste Water			
Sanitary Sewers (miles)	223.5	220	220
Storm Sewers (miles)	2	2	2
Treatment Capacity (millions of gallons/day)	3.6	3.6	3.6
Transit Services			
Minibuses			
Fixed Route	0	0	0
Dial A Ride	5	5	5
Bus Shelters	5	5	5

NOTE:

The City of Ridgecrest has elected to show only three years of data for this schedule.