



# Ridgecrest Redevelopment Agency

**Ridgecrest, California**



Basic Financial Statements and  
Independent Auditors' Report  
For the Fiscal Year Ended June 30, 2007



# Ridgecrest Redevelopment Agency

## Basic Financial Statements

For the year ended June 30, 2007

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest, California (City), as of and for the year ended June 30, 2007, as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated [Date], 2007 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

*Capricci & Carlson*

Irvine, California  
November 30, 2007

**Redevelopment Agency of the City of Ridgecrest  
Management's Discussion and Analysis  
For the year ended June 30, 2007**



The discussion and analysis of the Redevelopment Agency's (Agency's) financial performance provides an overall review of the Agency's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report ending June 30, 2006, to enhance their understanding of the Agency's financial performance. This is the ongoing implementation a new reporting format in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

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

**BASIS OF ACCOUNTING AND FUND GROUPINGS**

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

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

**FINANCIAL DISCUSSION**

Under the Governmental Funds statements, the Agency reported an excess of revenues over expenditures of \$4,680,165 this compares to an excess of revenues over expenditures of \$1,496,331 in the prior year; and a 1,655,430 position in Fiscal 2005. The total fund balance at June 30, 2007 was \$0.917 million. This negative position is due to a change of accounting procedures in the COP refinancing of 2007. Total reserved fund balance at June 30, 2007 in the Special Revenue (Housing) Fund was \$2,431,207; in the Capital Projects Fund (Redevelopment) was \$2,246,776; and in the Debt Service Fund was a negative \$3,760,314. These reservations include \$575,637 million for debt service repayment in the current year, \$3.7 million advances from the City, and (\$0.025 million) for encumbrances. Total increased net assets during the fiscal year that ended June 30, 2007 was \$5.059 million.

This compares to total increases of net assets at June 30, 2005 of \$1.67 million and total fund balances of \$3.96 million.

**Redevelopment Agency of the City of Ridgcrest  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2007**



Net Tax increment revenue increased by 16.15% in fiscal year 2007, to \$4.654 million from \$ 4.007 million in 2005-06, \$3.072 million in 2003-04, from \$2.57 million in fiscal year 2002-03. The increase is related to overall development and rising values in the project area.

Fiscal Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Tax increment	\$2,381,734	\$2,434,673	\$2,573,435	\$3,072,582	\$4,007,401	\$4,654,675	\$6,610,491

Total revenue for fiscal year 2007 was \$6.943 million of which 95.19% was tax increment, 4.44% was investment and rental revenue, and less than 10% was other revenue. This compares to 2006 revenue which was \$5.279 million, of which 87.98% was tax increment revenue, 1.15% was investment and rental earnings, and 1.6% was miscellaneous revenue.

Total expenditures for fiscal year 2007 \$2.3 million. This compared to fiscal year's 2006 \$3.6 million. Expenditures were composed of Community Development \$1.147 million (compared to the prior year's expenditures of \$1.574 million) which includes economic development loans and other support o public-private development initiatives; and \$1.118 million (compared to the prior year's \$2.087 million) for repayments of long-term debt, interest, and fiscal agent cost. This should be compared to total expenditures for fiscal year 2005 \$2.8 million. Expenditures were composed of Community Development \$1.529 which includes economic development loans and other support of public-private development initiatives; and \$2.099 million for repayments of long-term debt, interest, and fiscal agent cost. Further, fiscal year 2004 expenditures which were \$2.5 million. The expenditures were made up of \$576,000 for community development which includes economic development loans and other support to public-private development initiatives; \$1.9 million for repayments of long-term debt, interest, and issuance costs.

A few of the Redevelopment Agency highlights for Fiscal Year 2006-07 include the following:

- ❖ The economy in 2007-08 continues on its upward trend in all areas of the economy.
- ❖ The BRAC process is currently scheduled to provide for a final business plan for the Naval Air Weapons Station (NAWS), China Lake in early 2008 which will positively impact the economy further in 2008 through 2011.
- ❖ The opening of several new retail projects will occur in 2008 with several others under the development planning process.
- ❖ The Ridgcrest Business Park will see the completion of the new Spring Hills Suites by Marriott in 2008 along with a new 24,000 square foot office building.
- ❖ Also the development of a second hotel, Hampton Inn will begin in 2008 with completion in 2009 along with an additional 24,000 square foot office building.
- ❖ Other business park projects will include the development of a lighting and landscape district.
- ❖ Two new restaurants and meeting faculties.

**Redevelopment Agency of the City of Ridgecrest  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2007**



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- ❖ Several new fast food restaurants are planned for 2008 with the restoration of the existing vacant Burger King and a new Taco Del Mar and Juice It Up on S. China Lake Blvd.
  - ❖ Wal Mart Super Center is currently scheduled to complete the development, planning, and building review process in 2008 and is now planning a 225,000 square foot store.
  - ❖ The agency is continuing its down payment low income assistance loan program in 2008 in an effort to provide more low income units in the community. A 15 unit assisted housing project, The Willows, was also initiated, funded by HUD and assisted by the RDA.
  - ❖ The agency will provide support for transportation related issues along major retail corridors.
  - ❖ The agency will continue its ongoing program to aid in small business start up and expansion of existing business within the project areas.

**REQUEST FOR INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**

***RPA***

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Ridgecrest Redevelopment Agency**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 8,913,105
Cash and investments with fiscal agent	1,873,936
Accounts receivable	1,076,498
Interest receivable	57,536
Total current assets	<u>11,921,075</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	1,726,298
Depreciable	12,092,609
Total capital assets	<u>13,818,907</u>
Less accumulated depreciation	<u>(7,223,695)</u>
Capital assets, net	<u>6,595,212</u>
Total noncurrent assets	<u>6,595,212</u>
<b>Total assets</b>	<u><u>18,516,287</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	820,877
Salaries payable	7,754
Deposits payable	2,500
Advances from City of Ridgecrest	9,724,159
Long term debt, due within one year	560,000
Total current liabilities	<u>11,115,290</u>
Long-term liabilities:	
Long term debt, due in more than one year	<u>8,490,000</u>
Total long-term liabilities	<u>8,490,000</u>
<b>Total liabilities</b>	<u><u>19,605,290</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	<u>6,595,212</u>
Restricted for:	
Special projects	1,855,570
Debt service	5,963,845
Capital projects	2,246,774
Total restricted	<u>10,066,189</u>
Unrestricted (deficit)	<u>(17,750,404)</u>
<b>Total net assets (deficit)</b>	<u><u>\$ (1,089,003)</u></u>

See accompanying Notes to Basic Financial Statements.

**Ridgecrest Redevelopment Agency**  
**Statement of Activities and Changes in Net Assets**  
**June 30, 2007**

Functions/Programs	Expenses	Net (Expense) Revenue and Change in Net Assets Governmental Activities
<b>Primary government:</b>		
<b>Governmental activities:</b>		
Community development	\$ 1,276,046	\$ (1,276,046)
Interest and fiscal agent fees on long term debt	439,037	(439,037)
<b>Total governmental activities</b>	<b>\$ 1,715,083</b>	<b>(1,715,083)</b>
 <b>General revenues:</b>		
Property taxes		6,610,491
Investment earnings		308,610
Miscellaneous		(48)
<b>Transfers to City of Ridgecrest</b>		<b>(144,640)</b>
<b>Total general revenues and transfers</b>		<b>6,774,413</b>
<b>Change in net assets</b>		<b>5,059,330</b>
<b>Net assets - beginning of year</b>		<b>(6,148,331)</b>
<b>Net assets - end of year</b>		<b>\$ (1,089,001)</b>

***RIA***

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**Ridgecrest Redevelopment Agency**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	Major Funds			
	Housing Set Aside Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,413,690	\$ 4,275,104	\$ 2,224,311	\$ 8,913,105
Cash and investments with fiscal agent	-	1,873,936	-	1,873,936
Accounts receivable	448,118	628,380	-	1,076,498
Interest receivable	21,146	-	36,390	57,536
<b>Total assets</b>	<b>\$ 2,882,954</b>	<b>\$ 6,777,420</b>	<b>\$ 2,260,701</b>	<b>\$ 11,921,075</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 813,575	\$ 7,302	\$ 820,877
Salaries payable	3,629	-	4,125	7,754
Deposits payable	-	-	2,500	2,500
Deferred revenue	448,118	-	-	448,118
Advances from City of Ridgecrest	-	9,724,159	-	9,724,159
<b>Total liabilities</b>	<b>451,747</b>	<b>10,537,734</b>	<b>13,927</b>	<b>11,003,408</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	-	-	25,031	25,031
Debt service	575,637	-	-	575,637
Capital projects	-	-	1,296,697	1,296,697
<b>Total reserved</b>	<b>575,637</b>	<b>-</b>	<b>1,321,728</b>	<b>1,897,365</b>
Unreserved, designated for:				
RRA land sale proceeds	-	-	891,980	891,980
<b>Total unreserved, designated</b>	<b>-</b>	<b>-</b>	<b>891,980</b>	<b>891,980</b>
Unreserved, undesignated for:				
Special revenue	1,855,570	-	-	1,855,570
Debt service	-	(3,760,314)	-	(3,760,314)
Capital projects	-	-	33,066	33,066
<b>Total unreserved, undesignated</b>	<b>1,855,570</b>	<b>(3,760,314)</b>	<b>33,066</b>	<b>(1,871,678)</b>
<b>Total fund balances (deficit)</b>	<b>2,431,207</b>	<b>(3,760,314)</b>	<b>2,246,774</b>	<b>917,667</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,882,954</b>	<b>\$ 6,777,420</b>	<b>\$ 2,260,701</b>	<b>\$ 11,921,075</b>

See accompanying Notes to Basic Financial Statements.

**Ridgecrest Redevelopment Agency**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2007**

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ 917,667
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Nondepreciable	1,726,298
Depreciable	12,092,609
Less accumulated depreciation	(7,223,695)
	6,595,212

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

Long-term debt, due within one year	(560,000)
Long-term debt, due in more than one year	(8,490,000)
	(9,050,000)

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.

	448,118
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<b>Net Assets (deficit) of Governmental Activities</b>	\$ (1,089,003)
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**Ridgecrest Redevelopment Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2007**

	Major Funds			Total Governmental Funds
	Housing Set Aside Special Revenue	Debt Service	Capital Projects	
<b>REVENUES:</b>				
Taxes	\$ -	\$ 6,395,176	\$ -	\$ 6,395,176
Intergovernmental	-	215,315	-	215,315
Use of money and property	92,125	70,927	145,558	308,610
Other revenue	24,816	-	27	24,843
<b>Total revenues</b>	<b>116,941</b>	<b>6,681,418</b>	<b>145,585</b>	<b>6,943,944</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	255,381	11,050	880,098	1,146,529
Debt service:				
Principal	-	540,000	-	540,000
Interest	-	577,150	-	577,150
<b>Total expenditures</b>	<b>255,381</b>	<b>1,128,200</b>	<b>880,098</b>	<b>2,263,679</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(138,440)</b>	<b>5,553,218</b>	<b>(734,513)</b>	<b>4,680,265</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	-	-	401,631	401,631
Transfers in	1,686,703	571,422	-	2,258,125
Transfers out	(616,605)	(1,694,064)	(92,096)	(2,402,765)
<b>Total other financing sources (uses)</b>	<b>1,070,098</b>	<b>(1,122,642)</b>	<b>309,535</b>	<b>256,991</b>
<b>Net change in fund balances</b>	<b>931,658</b>	<b>4,430,576</b>	<b>(424,978)</b>	<b>4,937,256</b>
<b>FUND BALANCES (deficit):</b>				
Beginning of year	1,499,549	(8,190,890)	2,671,754	(4,019,587)
End of year	\$ 2,431,207	\$ (3,760,314)	\$ 2,246,776	\$ 917,669

See accompanying Notes to Basic Financial Statements.

# Ridgecrest Redevelopment Agency

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2007

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Net Change in Fund Balances - Total Governmental Funds \$ 4,937,256

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

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds. (382,043)

Proceeds from sale of property provide current financial resources to governmental funds, but sale of property decrease capital assets on government-wide statements (149,105)

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

Repayment of principal 540,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (24,891)

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year. 138,113

Change in Net Assets of Governmental Activities \$ 5,059,330

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**Ridgecrest Redevelopment Agency**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

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

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

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

**Government-Wide Financial Statements**

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

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

**Government-Wide Financial Statements, Continued**

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

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

The Agency had no program revenues for the year ended June 30, 2007.

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

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

**Governmental Fund Financial Statements**

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

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

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

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

**Governmental Fund Financial Statements, Continued**

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

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

***C. Use of Restricted and Unrestricted Net Assets***

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

***D. Cash, Cash Equivalents and Investments***

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

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

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

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

***D. Cash, Cash Equivalents and Investments, Continued***

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

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

***E. Capital Assets***

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

Buildings and improvements	15-50 years
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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The Agency did not have any infrastructure capital assets at June 30, 2007.

***F. Long-Term Liabilities***

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

*G. Net Assets*

**Government-Wide Financial Statements**

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

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

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

**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.

*H. Use of Restricted/Unrestricted Net Assets*

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

*I. Fund Balances - Reservations and Designations*

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

*J. Use of Estimates*

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

*K. Interfund Transactions*

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

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

**2. CASH AND INVESTMENTS**

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2007:

	Government-Wide Statement of Net Assets
	<u>Governmental Activities</u>
Cash and investments	\$ 8,913,105
Restricted cash and investments	<u>1,873,936</u>
<b>Total</b>	<u><u>\$ 10,787,041</u></u>

Cash and investments consisted of \$8,913,105 for operation and \$1,873,936 as restricted with fiscal agent at June 30, 2007. The Agency follows the practice of pooling cash and investments with the City for all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the average monthly invested cash balance in each participating fund.

At June 30, 2007, all cash and investments of the Agency were pooled with the City and they are not represented by specific, identifiable investment securities. Investment policies and associated risk disclosures applicable to the Agency’s funds are those of the City and are included in the City’s basic financial statements.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**3. CAPITAL ASSETS**

*A. Government-Wide Financial Statements*

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

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Land	\$ 1,875,403	\$ -	\$ (149,105)	\$ 1,726,298
Buildings and improvements	12,092,609	-	-	12,092,609
	13,968,012	-	(149,105)	13,818,907
Less accumulated depreciation	(6,841,652)	(382,043)	-	(7,223,695)
<b>Total governmental activities</b>	<b>\$ 7,126,360</b>	<b>\$ (382,043)</b>	<b>\$ (149,105)</b>	<b>\$ 6,595,212</b>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2007 was \$382,043.

*B. Fund Financial Statements*

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

**4. ADVANCES FROM THE CITY OF RIDGECREST**

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

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Wastewater Enterprise Fund Loan	\$ 1,200,000	\$ -	\$ (200,000)	\$ 1,000,000
2005 Refunding Certificates of Participation	9,464,159	-	(740,000)	8,724,159
	\$ 10,664,159	\$ -	\$ (940,000)	\$ 9,724,159

Wastewater Enterprise Fund Loan

On June 19, 2002, the Wastewater Enterprise Fund loaned the Ridgecrest Redevelopment Agency Debt Service Fund \$2,000,000 for purposes of paying costs and expenses in connection with implementing the Redevelopment plan. The loan is to be repaid over 10 years with the annual principal payment of \$200,000. The amount outstanding at June 30, 2007 was \$1,000,000.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**4. ADVANCES FROM THE CITY OF RIDGECREST, Continued**

2005 Refunding Certificates of Participation

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

The City and the Agency have entered into a reimbursement agreement dated as of November 1, 2005, pursuant to which the Agency has agreed to reimburse the City for all Lease payments. The Agency's reimbursement obligation is secured by a pledge of certain tax increment revenues arising in the Agency's Ridgecrest Redevelopment Project. Certain outstanding and future bonds of the Agency have or may have a claim on tax increment revenues that is senior to the Agency's reimbursement obligation under the Reimbursement Agreement. The amount outstanding at June 30, 2007 was \$8,724,159.

**5. LONG-TERM DEBT**

The following is a summary of long-term debt for the year ended June 30, 2007:

	Balance			Balance June 30, 2007	Due within one year	Due in more than one year
	July 1, 2006	Additions	Deletions			
1999 Refunding Tax Allocation Bonds	\$ 6,765,000	\$ -	\$ (185,000)	\$ 6,580,000	\$ 195,000	\$ 6,385,000
2002 Tax Allocation Refunding Bonds	2,825,000	-	(355,000)	2,470,000	365,000	2,105,000
<b>Total</b>	<b>\$ 9,590,000</b>	<b>\$ -</b>	<b>\$ (540,000)</b>	<b>\$ 9,050,000</b>	<b>\$ 560,000</b>	<b>\$ 8,490,000</b>

1999 Refunding Tax Allocation Bonds

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

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
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	245,000	356,488	601,488
2013-2017	1,460,000	1,541,415	3,001,415
2018-2022	1,965,000	1,029,064	2,994,064
2023-2026	2,065,000	332,502	2,397,502
<b>Total</b>	<b>\$ 6,580,000</b>	<b>\$ 4,810,445</b>	<b>\$ 11,390,445</b>

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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

2002 Tax Allocation Refunding Bonds

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

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 365,000	\$ 117,726	\$ 482,726
2009	380,000	101,300	481,300
2010	400,000	84,200	484,200
2011	420,000	65,200	485,200
2012	440,000	45,250	485,250
2013	465,000	23,250	488,250
<b>Total</b>	<b>\$ 2,470,000</b>	<b>\$ 436,926</b>	<b>\$ 2,906,926</b>

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

The City contributes to the California Public Employee's Retirement System (PERS). PERS acts as a common investment and administrative agency for participating public entities within the State of California. The Agency's employees are covered under this plan as well. A more detailed disclosure of the pension plan may be found in the audited financial statements for the City as of June 30, 2007. These financial statements may be obtained from 100 W. California Avenue Ridgecrest, California 93555.

**7. OTHER POST EMPLOYMENT BENEFITS**

The Agency provides post retirement health care benefits to all employees who retire from the Agency. The retirement age and years of service requirements vary based upon which bargaining group the employee is currently a member of. Eleven retirees meet these eligibility requirements. The associated cost to the City on behalf of the Agency was \$8,032 in fiscal year 2007.

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**8. DEFICIT NET ASSETS AND FUND BALANCES**

At June 30, 2007, the Agency had a deficit balance in its government-wide unrestricted net assets in the amount of \$(17,750,404). The deficit was due to long-term debt and advances from the City in excess of all assets owned by the Agency. The Agency issued debt for redevelopment projects and the debt will be repaid by the future property tax increments.

The following fund had a deficit fund balance, which is planned to be eliminated through the reduction in future expenditures and/or the use of new funding sources:

Fund	Fund Type	Deficit
Debt Service Fund	Major Governmental Fund	\$ (3,760,314)

**9. COMMITMENTS AND CONTINGENCIES**

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

As of June 30, 2007, in the opinion of Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the Agency

**REQUIRED SUPPLEMENTARY INFORMATION**

**Ridgecrest Redevelopment Agency**  
**Required Supplementary Information**  
**For the year ended June 30, 2007**

**1. BUDGETARY INFORMATION**

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

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

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

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

**Budget Comparison Schedule, Housing Set Aside Special Revenue Fund**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2006</b>	\$ (346,963)	\$ 153,533	\$ 1,499,549	\$ 1,346,016
Resources (inflows):				
Use of money and property	30,000	30,000	92,125	62,125
Other revenues	-	-	24,816	24,816
Transfers in	1,192,925	1,192,925	1,686,703	493,778
Amount available for appropriation	1,222,925	1,222,925	1,803,644	580,719
Charges to appropriations (outflows):				
Community development	624,985	575,906	255,381	320,525
Transfers out	650,241	629,941	616,605	13,336
Total charges to appropriations	1,275,226	1,205,847	871,986	333,861
Excess of resources over (under) charges to appropriations	(52,301)	17,078	931,658	914,580
<b>Fund balance, June 30, 2007</b>	\$ (399,264)	\$ 170,611	\$ 2,431,207	\$ 2,260,596

**SUPPLEMENTARY INFORMATION**

**Ridgecrest Redevelopment Agency**  
**Supplementary Information**  
**For the year ended June 30, 2007**

**Budget Comparison Schedule - Debt Service Fund**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2006</b>	\$ (118,817)	\$ (493,073)	\$ (8,190,890)	\$ (7,697,817)
Resources (inflows):				
Taxes	4,117,311	4,117,311	6,395,176	2,277,865
Intergovernmental	187,775	187,775	215,315	27,540
Use of money and property	47,075	47,075	70,927	23,852
Transfers in	581,929	581,929	571,422	(10,507)
Amount available for appropriation	4,934,090	4,934,090	7,252,840	2,318,750
Charges to appropriations (outflows):				
Community Development	9,000	11,050	11,050	-
Debt service:				
Principal	740,000	540,000	540,000	-
Interest	577,151	577,150	577,150	-
Transfers out	3,843,833	3,823,533	1,694,064	(2,129,469)
Total charges to appropriations	5,169,984	4,951,733	2,822,264	(2,129,469)
Excess of resources over (under) charges to appropriations	(235,894)	(17,643)	4,430,576	189,281
<b>Fund balance, June 30, 2007</b>	\$ (354,711)	\$ (510,716)	\$ (3,760,314)	\$ (7,508,536)

**Ridgecrest Redevelopment Agency**  
**Supplementary Information, Continued**  
**For the year ended June 30, 2007**

**Budget Comparison Schedule - Capital Projects Fund**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2006</b>	<u>\$ (227,752)</u>	<u>\$ 799,119</u>	<u>\$ 2,671,754</u>	<u>\$ 1,872,635</u>
Resources (inflows):				
Use of money and property	32,000	32,000	145,558	113,558
Other revenue	<u>2,630,608</u>	<u>2,630,608</u>	<u>401,656</u>	<u>(2,228,952)</u>
Amount available for appropriation	<u>2,662,608</u>	<u>2,662,608</u>	<u>547,214</u>	<u>(2,115,394)</u>
Charges to appropriations (outflows):				
Community Development	1,161,150	1,179,192	880,098	299,094
Transfers out	<u>2,393,133</u>	<u>2,296,708</u>	<u>92,096</u>	<u>2,204,612</u>
Total charges to appropriations	<u>3,554,283</u>	<u>3,475,900</u>	<u>972,194</u>	<u>2,503,706</u>
Excess of resources over (under) charges to appropriations	<u>(891,675)</u>	<u>(813,292)</u>	<u>(424,980)</u>	<u>388,312</u>
<b>Fund balance, June 30, 2007</b>	<u>\$ (1,119,427)</u>	<u>\$ (14,173)</u>	<u>\$ 2,246,774</u>	<u>\$ 2,260,947</u>

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**SUPPLEMENTARY INFORMATION**

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## **CAPITAL ASSETS**

**Ridgecrest Redevelopment Agency**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Source\***  
**June 30, 2007**

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**GOVERNMENTAL FUNDS CAPITAL ASSETS:**

Land	\$ 1,726,298
Buildings and improvements	<u>12,092,609</u>
<b>Total governmental funds capital assets</b>	<u>13,818,907</u>
Accumulated depreciation	<u>(7,223,695)</u>
<b>Total governmental funds capital assets, net</b>	<u><u>\$ 6,595,212</u></u>

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

Special revenue funds	\$ 13,818,907
<b>Total governmental funds capital assets</b>	<u>13,818,907</u>
Accumulated depreciation	<u>(7,223,695)</u>
<b>Total governmental funds capital assets, net</b>	<u><u>\$ 6,595,212</u></u>

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

**Ridgecrest Redevelopment Agency**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity\***  
**June 30, 2007**

	Land	Buildings and Improvements	Total
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>			
Community development	\$ 1,726,298	\$ 12,092,609	\$ 13,818,907
<b>Total governmental funds capital assets</b>	<b>1,726,298</b>	<b>12,092,609</b>	<b>13,818,907</b>
Accumulated depreciation	-	(7,223,695)	(7,223,695)
<b>Total governmental funds capital assets, net</b>	<b>\$ 1,726,298</b>	<b>\$ 4,868,914</b>	<b>\$ 6,595,212</b>

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

**Ridgecrest Redevelopment Agency**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity\***  
**For the year ended June 30, 2007**

	Balance June 30, 2006	Additions	Retirements or Transfers	Balance June 30, 2007
<b>FUNCTION AND ACTIVITY:</b>				
Community development	\$ 13,968,012	\$ -	\$ (149,105)	\$ 13,818,907
<b>Total governmental funds capital assets</b>	<b>13,968,012</b>	<b>-</b>	<b>(149,105)</b>	<b>13,818,907</b>
Accumulated depreciation	(6,841,652)	(382,043)	-	(7,223,695)
<b>Total governmental funds capital assets, net</b>	<b>\$ 7,126,360</b>	<b>\$ (382,043)</b>	<b>\$ -</b>	<b>\$ 6,595,212</b>

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



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

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

We have audited the basic financial statements of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest, California (City), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying **Schedule of Findings and Questioned Costs** as item 2007-01.

The Agency's response to the finding identified in our audit is described in the accompanying **Schedule of Findings and Questioned Costs**. We did not audit the Agency's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to City Council and management in a separate letter dated November 30, 2007.

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



Irvine, California  
November 30, 2007

**Ridgecrest Redevelopment Agency**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2007**

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**2007-1 Five-Year Implementation Plans**

Criteria

In accordance with Guidelines for Compliance Audits of California Redevelopment Agencies, "Redevelopment agencies must produce Implementation Plans, in accordance with *Health & Safety Code §33490 and §33413(b)*, for each project area every five years and have the first plan adopted by December 31, 1994, or within five years following the adoption of the redevelopment plan in cases under which the redevelopment plans were adopted on or after January 1, 1994. Each plan must contain certain items."

In accordance with Health and Safety Code §33080.1: "(d) A description of the agency's progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year."

Condition

During the performance of our audit for the year ended June 30, 2007, we noted that a Five-Year Implementation Plan was not finalized and adopted by the Agency.

Questioned Costs

None.

Context and Effect

The Agency should have a control in place to ensure that the Agency is in compliance with the Health and Safety Code.

Recommendation

We recommend that the Agency finalize and adopt a Five-Year Implementation Plan pursuant to Health and Safety Code §33490 and §33413(b).