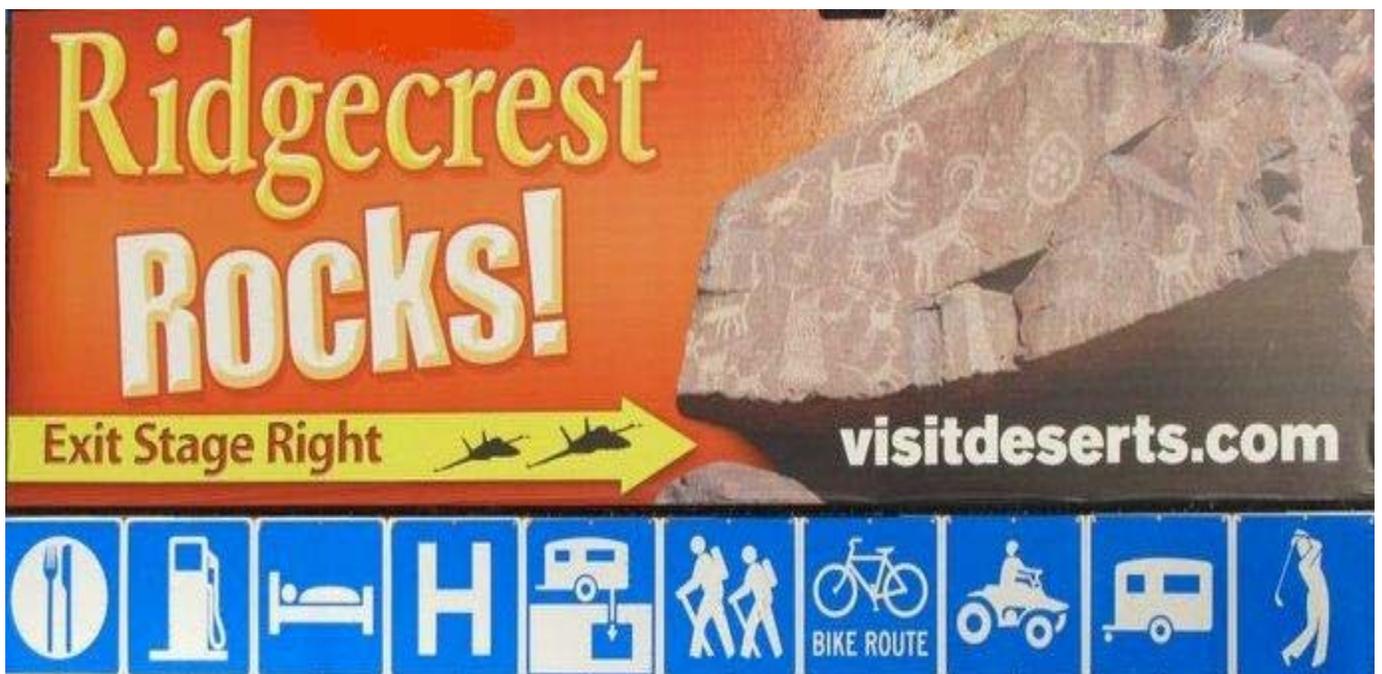


# RIDGECREST REDEVELOPMENT AGENCY



*Basic Financial Statements and  
Independent Auditors' Report  
For the Fiscal Year Ended June 30, 2010*

**RIA**



**Ridgecrest Redevelopment Agency**  
**Basic Financial Statements**  
**For the year ended June 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest, California (City), as of and for the year ended June 30, 2010, which collectively comprise of the Agency's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 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 grant agreements. 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 considered in assessing the results of our audit.

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

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

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

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Diego, California  
December 22, 2010

**Redevelopment Agency of the City of Ridgecrest  
Management's Discussion and Analysis  
For the year ended June 30, 2010**



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, 2010. 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, 2009, to enhance their understanding of the Agency's financial performance. This is the ongoing implementation of a new reporting format in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

The financial section of this report has been prepared to show the results of the financial administration, financial condition, and operation of the Agency. The combined financial statements in this report have been audited by the firm of Caporicci and Larson, Inc. (A Subsidiary of Marcum LLP) Certified Public Accountants, whose opinion is included.

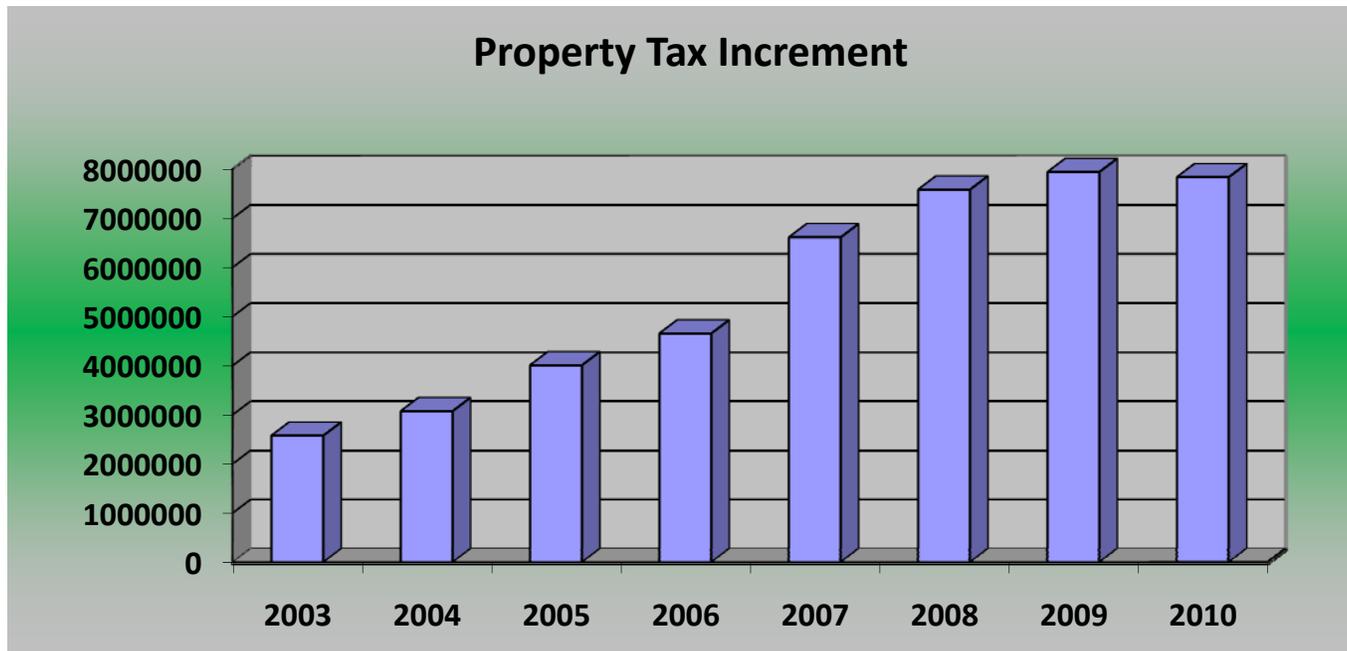
**BASIS OF ACCOUNTING AND FUND GROUPINGS**

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 \$2,719,229 this compares to an excess of revenues over expenditures of \$6,529,767 in the prior year.. The total fund balance at June 30, 2010 was \$13,406,691 compared to \$11,551,283 in FY 2009. The increase in fund balance is due to both sales of land and un-appropriated tax increment revenue. Total fund balance at June 30, 2010 in the Special Revenue (Housing) Fund was \$6,040,159; in the Capital Projects Fund (Redevelopment) was \$4,171,122; and in the Debt Service Fund was \$3,195,410. These balances include \$581,433 for debt service repayment in the current year and \$1,296,697 for capital projects. Total increased net assets during the fiscal year was \$2,071,454 compared to the increased net assets of \$5,218,940 on June 30, 2009. Property taxes revenue decreased by 1.3% over last year causing the fluctuation in the change in net assets. This is an indication of assessed value decreasing in the project area following the county-wide value reset. Below is the chart showing the trend in property tax revenue.



| Fiscal Year   | 2002-03     | 2003-04     | 2004-05     | 2005-06     | 2006-07     | 2007-08     | 2008-09     | 2009-10     |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Tax increment | \$2,573,435 | \$3,072,582 | \$4,007,401 | \$4,654,675 | \$6,610,491 | \$7,583,131 | \$7,941,697 | \$7,835,272 |

Total revenue for fiscal year 2010 was \$7.9 million of which 99% was tax increment and 1% was investment and rental revenue. This compares to 2009 revenue which was \$8.8 million, of which 90.2% was tax increment revenue, 2.3% was investment and rental earnings, and 7.5% was miscellaneous revenue.

Total expenditures for fiscal year 2010 is \$5.2 million. This compared to fiscal year's 2009 \$2.4 million. Expenditures were composed of Community Development \$4.1 million (compared to the prior year's expenditures of \$1.3 million) which includes economic development loans and other support of public-private development initiatives; and \$1.1 million (compared to the prior year's \$1.08 million) for repayments of long-term debt, interest, and fiscal agent cost.

A few of the Redevelopment Agency highlights for Fiscal Year 2009-10 include the following:

- ❖ The Naval Station China Lake has completed its BRAC Business Plan and begun over 250 million dollar construction improvements along with over ten new projects currently in construction. The Business Plan also included the movement of 1,000 billets (jobs) to the Ridgecrest Area.
- ❖ The Ridgecrest Business Park has seen the completion of the Spring Hill Suites and Office Building, the Hampton Inn and Office Development, Doctor Tareli Medical Building and PackWrap.

**Redevelopment Agency of the City of Ridgecrest  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2010**



- 
- ❖ New developments within the park are being planned for 2010-2011. A lighting and landscape district will be founded in 2011.
  - ❖ The agency has continued its Assistance to Local Organizations such as RCVB and Ridgecrest Chamber of Commerce in their efforts to expand tourism within the community.
  - ❖ Super Wal-Mart is due to begin construction sometime in 2010-2011 of a 225,000 square foot store.
  - ❖ The agency has continued to provide both financial assistance and technical support to the City's Ridgecrest Downtown Association in its efforts to market and redevelop the Ridgecrest Downtown area.
  - ❖ The agency continues its current low income Down Payment Assistance Loan Program in 2011 as well as beginning the process of working with private developers interested in developing mix income apartments developments within the agency boundaries.
  - ❖ The agency will continue its ongoing program to aid the start up of small business and the expansion of existing businesses within the project area.
  - ❖ The agency will continue to provide assistance for the completion of ongoing projects along China Lake Blvd retail corridor in 2011.
  - ❖ The agency continues to work towards bringing new solar power generation plants and their related jobs to the project area.
  - ❖ Ridgecrest Regional Hospital is completing a \$70M renovation and expansion of their hospital facility. The expansion includes a new outpatient pavilion and a new inpatient tower. The tower will include an eight-bed ICU, a new surgery and recovery area, seven pediatric beds, and 28 general medical/surgical beds.

**REQUEST FOR INFORMATION**

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

***RPA***

## **BASIC FINANCIAL STATEMENTS**

***RIA***

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Ridgecrest Redevelopment Agency**  
**Statement of Net Assets**  
**June 30, 2010**

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>                             |                                    |
| Current assets:                           |                                    |
| Cash and investments                      | \$ 20,010,557                      |
| Interest receivable                       | 18,405                             |
| Tax receivable                            | 404,375                            |
| Loans receivable                          | 316,199                            |
| Total current assets                      | <u>20,749,536</u>                  |
| Noncurrent assets:                        |                                    |
| Cash and investments with fiscal agent    | 1,056,380                          |
| Capital assets:                           |                                    |
| Nondepreciable                            | 1,697,709                          |
| Depreciable                               | 12,092,609                         |
| Total capital assets                      | <u>13,790,318</u>                  |
| Less accumulated depreciation             | <u>(8,369,822)</u>                 |
| Capital assets, net                       | <u>5,420,496</u>                   |
| Total noncurrent assets                   | <u>6,476,876</u>                   |
| <b>Total assets</b>                       | <u><u>27,226,412</u></u>           |
| <b>LIABILITIES</b>                        |                                    |
| Current liabilities:                      |                                    |
| Accounts payable                          | 24,936                             |
| Salaries payable                          | 6,431                              |
| Deposits payable                          | 2,500                              |
| Long-term debt, due within one year       | 650,000                            |
| Total current liabilities                 | <u>683,867</u>                     |
| Long-term liabilities:                    |                                    |
| Advances from City of Ridgecrest          | 8,049,159                          |
| Long-term debt, due in more than one year | 6,640,000                          |
| Total long-term liabilities               | <u>14,689,159</u>                  |
| <b>Total liabilities</b>                  | <u><u>15,373,026</u></u>           |
| <b>NET ASSETS</b>                         |                                    |
| Invested in capital assets                | <u>5,420,496</u>                   |
| Restricted for:                           |                                    |
| Low and moderate income housing           | 5,458,726                          |
| Debt service                              | 11,244,569                         |
| Capital projects                          | 4,171,122                          |
| Total restricted                          | <u>20,874,417</u>                  |
| Unrestricted (deficit)                    | <u>(14,441,527)</u>                |
| <b>Total net assets</b>                   | <u><u>\$ 11,853,386</u></u>        |

See accompanying Notes to Basic Financial Statements.

**Ridgecrest Redevelopment Agency**  
**Statement of Activities and Changes in Net Assets**  
**June 30, 2010**

| Functions/Programs                               | Expenses            | Net (Expense)<br>Revenue and<br>Change in<br>Net Assets<br>Governmental<br>Activities |
|--|---------------------|---|
| <b>Primary government:</b>                       |                     |   |
| <b>Governmental activities:</b>                  |                     |   |
| Community development                            | \$ 4,485,904        | \$ (4,485,904)  |
| Interest and fiscal agent fees on long term debt | 481,635             | (481,635)   |
| <b>Total governmental activities</b>             | <b>\$ 4,967,539</b> | <b>(4,967,539)</b>  |
| <br>   |                     |   |
| <b>General revenues:</b>                         |                     |   |
| Property taxes                                   |                     | 7,835,272   |
| Investment earnings                              |                     | 78,252  |
| Gain on sale of capital assets                   |                     | 220,935   |
| <b>Transfers to City of Ridgecrest</b>           |                     | <b>(1,095,466)</b>  |
| <b>Total general revenues and transfers</b>      |                     | <b>7,038,993</b>  |
| <b>Change in net assets</b>                      |                     | <b>2,071,454</b>  |
| <b>Net assets - beginning of year</b>            |                     | <b>9,781,932</b>  |
| <b>Net assets - end of year</b>                  |                     | <b>\$ 11,853,386</b>  |

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**Ridgecrest Redevelopment Agency**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

|  | Major Funds                                |                      |                     |                                |
|--|--|----------------------|---------------------|--------------------------------|
|  | Housing<br>Set-Aside<br>Special<br>Revenue | Debt<br>Service      | Capital<br>Projects | Total<br>Governmental<br>Funds |
| <b>ASSETS</b>                              |  |                      |                     |                                |
| Cash and investments                       | \$ 6,028,422                               | \$ 9,786,064         | \$ 4,196,071        | \$ 20,010,557                  |
| Cash and investments with fiscal agent     | -  | 1,056,380            | -                   | 1,056,380                      |
| Interest receivable                        | 18,147                                     | -                    | 258                 | 18,405                         |
| Tax receivable                             | -  | 404,375              | -                   | 404,375                        |
| Loans receivable                           | 316,199                                    | -                    | -                   | 316,199                        |
| <b>Total assets</b>                        | <b>\$ 6,362,768</b>                        | <b>\$ 11,246,819</b> | <b>\$ 4,196,329</b> | <b>\$ 21,805,916</b>           |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>   |  |                      |                     |                                |
| <b>Liabilities:</b>                        |  |                      |                     |                                |
| Accounts payable                           | \$ 3,503                                   | \$ 2,250             | \$ 19,183           | \$ 24,936                      |
| Salaries payable                           | 2,907                                      | -                    | 3,524               | 6,431                          |
| Deposits payable                           | -  | -                    | 2,500               | 2,500                          |
| Deferred revenue                           | 316,199                                    | -                    | -                   | 316,199                        |
| Advances from City of Ridgecrest           | -  | 8,049,159            | -                   | 8,049,159                      |
| <b>Total liabilities</b>                   | <b>322,609</b>                             | <b>8,051,409</b>     | <b>25,207</b>       | <b>8,399,225</b>               |
| <b>Fund Balances:</b>                      |  |                      |                     |                                |
| Reserved for:                              |  |                      |                     |                                |
| Debt service                               | 581,433                                    | -                    | -                   | 581,433                        |
| Capital projects                           | -  | -                    | 1,296,697           | 1,296,697                      |
| <b>Total reserved</b>                      | <b>581,433</b>                             | <b>-</b>             | <b>1,296,697</b>    | <b>1,878,130</b>               |
| Unreserved, designated for:                |  |                      |                     |                                |
| RRA land sale proceeds                     | -  | -                    | 1,704,455           | 1,704,455                      |
| Kern County projects                       | -  | -                    | 818,247             | 818,247                        |
| <b>Total unreserved, designated</b>        | <b>-</b>                                   | <b>-</b>             | <b>2,522,702</b>    | <b>2,522,702</b>               |
| Unreserved, undesignated for:              |  |                      |                     |                                |
| Special revenue                            | 5,458,726                                  | -                    | -                   | 5,458,726                      |
| Debt service                               | -  | 3,195,410            | -                   | 3,195,410                      |
| Capital projects                           | -  | -                    | 351,723             | 351,723                        |
| <b>Total unreserved, undesignated</b>      | <b>5,458,726</b>                           | <b>3,195,410</b>     | <b>351,723</b>      | <b>9,005,859</b>               |
| <b>Total fund balances</b>                 | <b>6,040,159</b>                           | <b>3,195,410</b>     | <b>4,171,122</b>    | <b>13,406,691</b>              |
| <b>Total liabilities and fund balances</b> | <b>\$ 6,362,768</b>                        | <b>\$ 11,246,819</b> | <b>\$ 4,196,329</b> | <b>\$ 21,805,916</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, 2010**

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|   |                      |
|---|----------------------|
| <b>Total Fund Balances - Total Governmental Funds</b> | <u>\$ 13,406,691</u> |
|---|----------------------|

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

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

|                               |                    |
|-------------------------------|--------------------|
| Nondepreciable                | 1,697,709          |
| Depreciable                   | 12,092,609         |
| Less accumulated depreciation | <u>(8,369,822)</u> |
|                               | <u>5,420,496</u>   |

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

|   |                    |
|---|--------------------|
| Long-term debt, due within one year       | (650,000)          |
| Long-term debt, due in more than one year | <u>(6,640,000)</u> |
|   | <u>(7,290,000)</u> |

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

|  |                |
|--|----------------|
|  | <u>316,199</u> |
|--|----------------|

|  |                             |
|--|-----------------------------|
| <b>Net Assets of Governmental Activities</b> | <u><u>\$ 11,853,386</u></u> |
|--|-----------------------------|

**Ridgecrest Redevelopment Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2010**

|   | Major Funds                                |                    |                     | Total<br>Governmental<br>Funds |
|---|--|--------------------|---------------------|--------------------------------|
|   | Housing<br>Set-Aside<br>Special<br>Revenue | Debt<br>Service    | Capital<br>Projects |                                |
| <b>REVENUES:</b>                            |  |                    |                     |                                |
| Taxes                                       | \$ -                                       | \$ 7,597,446       | \$ -                | \$ 7,597,446                   |
| Intergovernmental                           | -  | 237,826            | -                   | 237,826                        |
| Use of money and property                   | 50,912                                     | 7,918              | 19,422              | 78,252                         |
| Other revenue                               | 5,506                                      | -                  | -                   | 5,506                          |
| <b>Total revenues</b>                       | <b>56,418</b>                              | <b>7,843,190</b>   | <b>19,422</b>       | <b>7,919,030</b>               |
| <b>EXPENDITURES:</b>                        |  |                    |                     |                                |
| Current:                                    |  |                    |                     |                                |
| Community development                       | 247,186                                    | 11,500             | 3,844,480           | 4,103,166                      |
| Debt service:                               |  |                    |                     |                                |
| Principal                                   | -  | 615,000            | -                   | 615,000                        |
| Interest                                    | -  | 481,635            | -                   | 481,635                        |
| <b>Total expenditures</b>                   | <b>247,186</b>                             | <b>1,108,135</b>   | <b>3,844,480</b>    | <b>5,199,801</b>               |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | <b>(190,768)</b>                           | <b>6,735,055</b>   | <b>(3,825,058)</b>  | <b>2,719,229</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>      |  |                    |                     |                                |
| Proceeds from sale of capital assets        | -  | -                  | 231,645             | 231,645                        |
| Transfers out to City of Ridgecrest         | (83,832)                                   | (395,718)          | (615,916)           | (1,095,466)                    |
| Transfers in                                | 1,992,400                                  | 579,551            | 4,209,329           | 6,781,280                      |
| Transfers out                               | (579,551)                                  | (6,201,729)        | -                   | (6,781,280)                    |
| <b>Total other financing sources (uses)</b> | <b>1,329,017</b>                           | <b>(6,017,896)</b> | <b>3,825,058</b>    | <b>(863,821)</b>               |
| <b>Change in fund balances</b>              | <b>1,138,249</b>                           | <b>717,159</b>     | <b>-</b>            | <b>1,855,408</b>               |
| <b>FUND BALANCES:</b>                       |  |                    |                     |                                |
| Beginning of year                           | 4,901,910                                  | 2,478,251          | 4,171,122           | 11,551,283                     |
| End of year                                 | \$ 6,040,159                               | \$ 3,195,410       | \$ 4,171,122        | \$ 13,406,691                  |

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, 2010

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Net Change in Fund Balances - Total Governmental Funds \$ 1,855,408

Amounts reported for governmental activities in the Statement of Activities were 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. (382,042)

Disposition of property provided current financial resources to governmental funds, but sale of property decreased capital assets on Government-Wide State of Net Assets. (10,710)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of debt principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These differences are as follows:

Repayment of principal 615,000

Revenues in the statement of activities that did not provide current financial resources and were not reported as revenues in the funds. (6,202)

Change in Net Assets of Governmental Activities \$ 2,071,454

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**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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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 Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

**A. Financial Reporting Entity**

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

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

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

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

**Government-Wide Financial Statements**

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

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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

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

**Government-Wide Financial Statements, Continued**

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

- 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.

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.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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

*C. Use of Restricted and Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the 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.

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

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

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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

*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 |
|----------------------------|-------------|

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, 2010.

*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.

*G. Net Assets*

**Government-Wide Financial Statements**

Invested in Capital Assets – This amount consists of capital assets net of accumulated depreciation.

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 (deficit) that do not meet the definition of "invested in capital assets" or "restricted net assets."

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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

*H. Fund Balances - Reservations and Designations*

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

*I. Use of Estimates*

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

*J. Interfund Transactions*

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

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

**2. CASH AND INVESTMENTS**

The following is a summary of cash and investments including cash and investments with fiscal agent at June 30, 2010:

|  |                             |
|--|-----------------------------|
| Cash                                   | \$ (994,443)                |
| Investments                            | 21,005,000                  |
| Cash and investments with fiscal agent | 1,056,380                   |
| <b>Total</b>                           | <u><u>\$ 21,066,937</u></u> |

Cash and investments consisted of \$20,010,557 for operation and \$1,056,380 as cash and investment with fiscal agent at June 30, 2010. 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.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**2. CASH AND INVESTMENTS, Continued**

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

*Investments*

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

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

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

*External Investment Pool*

The Agency's investments with Local Agency Investment Fund (LAIF) at June 30, 2010, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. As of June 30, 2010, the Agency had \$21,005,000 invested in LAIF which had invested 5.42% of the pool investment funds in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**2. CASH AND INVESTMENTS, Continued**

*Risk Disclosures*

*A. Interest Rate Risk*

Interest Rate Risk is the risk that the market value of investments in the portfolio will fall due to changes in market interest rates. The Agency has an investment policy of lengthening its maturities when rates are falling and shortening its maturities when rates are rising as a means of managing its exposure to fair value losses and to take advantage of favorable interest rates. The Agency's operating funds are primarily invested in State of California Local Agency Investment Fund, money market mutual funds, or similar investment pools to ensure liquidity.

*B. Credit Risk*

Credit Risk is the risk of loss due to failure of the security issuer. The risk can be identified thru the rating assigned by a nationally recognized statistical rating organization to the issuers of securities. The City minimizes this risk by investing only on type of investments allowed for municipalities by the Government Code as listed on the City's investment policy and investing only on instruments that are most credit worthy.

|   | Credit Quality Ratings |                   | Fair Value           |
|---|------------------------|-------------------|----------------------|
|   | Moody's                | Standard & Poor's |                      |
| Investments:                            |                        |                   |                      |
| California Local Agency Investment Fund | Not Rated              |                   | \$ 21,005,000        |
| Investments held by Fiscal Agents       | Not Rated              |                   | 1,056,380            |
| <b>Total Cash and Investments</b>       |                        |                   | <b>\$ 22,061,380</b> |

*C. Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency 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 Agency's investments were subject to custodial credit risk.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**3. CAPITAL ASSETS**

*A. Government-Wide Financial Statements*

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

|                                      | Balance<br>July 1, 2009 | Additions           | Deletions          | Balance<br>June 30, 2010 |
|--------------------------------------|-------------------------|---------------------|--------------------|--------------------------|
| Land                                 | \$ 1,708,419            | \$ -                | \$ (10,710)        | \$ 1,697,709             |
| Buildings and improvements           | 12,092,609              | -                   | -                  | 12,092,609               |
|                                      | 13,801,028              | -                   | (10,710)           | 13,790,318               |
| Less accumulated depreciation        | (7,987,780)             | (382,042)           | -                  | (8,369,822)              |
| <b>Total governmental activities</b> | <b>\$ 5,813,248</b>     | <b>\$ (382,042)</b> | <b>\$ (10,710)</b> | <b>\$ 5,420,496</b>      |

Governmental activities depreciation expense for capital assets for the year ended June 30, 2010 was \$382,042.

*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<br>June 30, 2009 | Additions | Deletions    | Balance<br>June 30, 2010 |
|--|--------------------------|-----------|--------------|--------------------------|
| Wastewater Enterprise Fund Loan              | \$ 600,000               | \$ -      | \$ (200,000) | \$ 400,000               |
| 2005 Refunding Certificates of Participation | 8,019,159                | -         | (370,000)    | 7,649,159                |
|  | \$ 8,619,159             | \$ -      | \$ (570,000) | \$ 8,049,159             |

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, 2010 was \$400,000.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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

Wastewater Enterprise Fund Loan, Continued

The annual requirements to amortize the note are as follows:

| Year Ending<br>June 30, | Principal         | Interest         | Total             |
|-------------------------|-------------------|------------------|-------------------|
| 2011                    | \$ 200,000        | \$ 20,000        | \$ 220,000        |
| 2012                    | 200,000           | 10,000           | 210,000           |
| <b>Total</b>            | <b>\$ 400,000</b> | <b>\$ 30,000</b> | <b>\$ 430,000</b> |

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, 2010 was \$7,649,159.

**5. LONG-TERM DEBT**

The following is a summary of long-term debt for the year ended June 30, 2010:

|                                     | Balance<br>June 30, 2009 | Additions   | Deletions           | Balance<br>June 30, 2010 | Due within<br>one year | Due in more<br>than one year |
|-------------------------------------|--------------------------|-------------|---------------------|--------------------------|------------------------|------------------------------|
| 1999 Refunding Tax Allocation Bonds | \$ 6,180,000             | \$ -        | \$ (215,000)        | \$ 5,965,000             | \$ 230,000             | \$ 5,735,000                 |
| 2002 Tax Allocation Refunding Bonds | 1,725,000                | -           | (400,000)           | 1,325,000                | 420,000                | 905,000                      |
| <b>Total</b>                        | <b>\$ 8,490,000</b>      | <b>\$ -</b> | <b>\$ (615,000)</b> | <b>\$ 7,290,000</b>      | <b>\$ 650,000</b>      | <b>\$ 6,640,000</b>          |

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**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 Agency has pledged a portion of future property tax revenue to repay the 1999 Refunding Tax Allocation Bonds. Annual principal and interest payments on the bonds are expected to require 8% of total property tax increment revenues. Total principal and interest remaining on the bond is \$9,594,754, payable through 2026.

The annual debt service requirements are as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2011                    | \$ 230,000          | \$ 370,288          | \$ 600,288          |
| 2012                    | 245,000             | 356,488             | 601,488             |
| 2013                    | 260,000             | 341,788             | 601,788             |
| 2014                    | 275,000             | 326,188             | 601,188             |
| 2015                    | 290,000             | 309,688             | 599,688             |
| 2016 - 2020             | 1,740,000           | 1,253,126           | 2,993,126           |
| 2021 - 2025             | 2,360,000           | 636,876             | 2,996,876           |
| 2026                    | 565,000             | 35,312              | 600,312             |
| <b>Total</b>            | <b>\$ 5,965,000</b> | <b>\$ 3,629,754</b> | <b>\$ 9,594,754</b> |

2002 Tax Allocation Refunding Bonds

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

The Agency has pledged a portion of future property tax revenue to repay the 2002 Tax Allocation Refunding Bonds. Annual principal and interest payments on the bonds are expected to require 6% of total property tax increment revenues. Total principal and interest remaining on the bond is \$1,458,700, payable through 2013.

The annual debt service requirements are as follows:

| Year Ending<br>June 30, | Principal           | Interest          | Total               |
|-------------------------|---------------------|-------------------|---------------------|
| 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>\$ 1,325,000</b> | <b>\$ 133,700</b> | <b>\$ 1,458,700</b> |

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**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, 2010. These financial statements may be obtained from 100 W. California Avenue Ridgecrest, California 93555.

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

At June 30, 2010, the Agency had a deficit balance in its government-wide unrestricted net assets in the amount of \$(14,441,527). 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. Both long-term debt and advances from the City will be repaid by the future property tax increments.

**8. EXCESS EXPENDITURES OVER APPROPRIATION**

For the year ended June 30, 2010, expenditures exceeded appropriations in the following funds:

|                      |    |             |
|----------------------|----|-------------|
| Debt Service Fund    | \$ | (2,733,831) |
| Capital Project Fund |    | (2,701,832) |

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

**9. COMMITMENTS AND CONTINGENCIES**

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

*State Legislation* - During the year ended June 30, 2010, the State of California enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The estimated impact on the Redevelopment Agency is \$533,906 in 2010-2011. These amounts were assumed in the 2009-2011 Budget. This takeaway action is being litigated by the California Redevelopment Association and other parties with hope that it will be considered unconstitutional as was last year's State proposed takeaway.

As of June 30, 2010, 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.

**Ridgecrest Redevelopment Agency**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**10. SUBSEQUENT EVENT**

2010 Tax Allocation Refunding Bonds

On July 8, 2010, the Agency issued the 2010 Tax Allocation Refunding Bonds to provide funds to refund the 1999 Tax Allocation Bonds of the Agency, to fund a debt service reserve account and to pay the costs of issuing the bond. The advance refunding met the requirement of an in-substance defeasance and the 1999 Tax Allocation Bonds were removed from the Agency's long-term debt in 2011.

The 2010 Tax Allocation Refunding bonds are comprised of \$11,680,000 serial bonds and three term bonds total to \$22,700,000. Principal on serial bonds mature in amounts from \$1,005,000 to 1,215,000 through June 30, 2021. Interest on the bonds is payable semi-annually at rates ranging from 3% to 5.5%. The three term bonds maturing on June 30, 2024 (bearing interest at 5.375%) and June 30, 2037 (bearing interest at 6.125% and 6.25%), will subject to mandatory redemption on each June 30, commencing on June 30, 2022, and June 30, 2025, respectively, at a redemption price equal to the principal amount with accrued interest to the redemption date, without premium, ranging from \$420,000 to \$1,035,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Ridgecrest Redevelopment Agency**  
**Required Supplementary Information**  
**For the year ended June 30, 2010**

**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<br>Amounts          | Variance with<br>Final Budget |
|---|----------------------------|----------------------------|----------------------------|-------------------------------|
|   | Original                   | Final                      |                            |                               |
| <b>Fund balance, July 1, 2009</b>                             | <u>\$ 2,396,034</u>        | <u>\$ 2,361,255</u>        | <u>\$ 4,901,910</u>        | <u>\$ 2,540,655</u>           |
| Resources (inflows):  |                            |                            |                            |                               |
| Use of money and property                                     | 100,000                    | 100,000                    | 50,912                     | (49,088)                      |
| Other revenues  | -                          | -                          | 5,506                      | 5,506                         |
| Transfers in  | <u>1,800,000</u>           | <u>1,800,000</u>           | <u>1,992,400</u>           | <u>192,400</u>                |
| Amount available for appropriation                            | <u>1,900,000</u>           | <u>1,900,000</u>           | <u>2,048,818</u>           | <u>148,818</u>                |
| Charges to appropriations (outflows):                         |                            |                            |                            |                               |
| Community development   | 600,332                    | 600,332                    | 247,186                    | 353,146                       |
| Transfers out   | <u>634,978</u>             | <u>655,278</u>             | <u>663,383</u>             | <u>(8,105)</u>                |
| Total charges to appropriations                               | <u>1,235,310</u>           | <u>1,255,610</u>           | <u>910,569</u>             | <u>345,041</u>                |
| Excess of resources over (under)<br>charges to appropriations | <u>664,690</u>             | <u>644,390</u>             | <u>1,138,249</u>           | <u>493,859</u>                |
| <b>Fund balance, June 30, 2010</b>                            | <u><u>\$ 3,060,724</u></u> | <u><u>\$ 3,005,645</u></u> | <u><u>\$ 6,040,159</u></u> | <u><u>\$ 3,034,514</u></u>    |

## **SUPPLEMENTARY INFORMATION**

**Ridgecrest Redevelopment Agency**  
**Supplementary Information**  
**For the year ended June 30, 2010**

**Budget Comparison Schedule - Debt Service Fund**

|   | Budgeted Amounts      |                       | Actual<br>Amounts   | Variance with<br>Final Budget |
|---|-----------------------|-----------------------|---------------------|-------------------------------|
|   | Original              | Final                 |                     |                               |
| <b>Fund balance, July 1, 2009</b>                             | <b>\$ (3,019,223)</b> | <b>\$ (3,001,769)</b> | <b>\$ 2,478,251</b> | <b>\$ 5,480,020</b>           |
| Resources (inflows):  |                       |                       |                     |                               |
| Taxes   | 7,300,000             | 7,300,000             | 7,597,446           | 297,446                       |
| Intergovernmental   | 220,000               | 220,000               | 237,826             | 17,826                        |
| Use of money and property                                     | 15,000                | 15,000                | 7,918               | (7,082)                       |
| Transfers in  | 575,000               | 575,000               | 579,551             | 4,551                         |
| Amount available for appropriation                            | <u>8,110,000</u>      | <u>8,110,000</u>      | <u>8,422,741</u>    | <u>312,741</u>                |
| Charges to appropriations (outflows):                         |                       |                       |                     |                               |
| Community Development   | 5,900                 | 5,900                 | 11,500              | (5,600)                       |
| Debt service:   |                       |                       |                     |                               |
| Principal   | 815,000               | 815,000               | 615,000             | 200,000                       |
| Interest  | 481,635               | 481,635               | 481,635             | -                             |
| Transfers out   | <u>3,651,762</u>      | <u>3,669,216</u>      | <u>6,597,447</u>    | <u>(2,928,231)</u>            |
| Total charges to appropriations                               | <u>4,954,297</u>      | <u>4,971,751</u>      | <u>7,705,582</u>    | <u>(2,733,831)</u>            |
| Excess of resources over (under)<br>charges to appropriations | <u>3,155,703</u>      | <u>3,138,249</u>      | <u>717,159</u>      | <u>(2,421,090)</u>            |
| <b>Fund balance, June 30, 2010</b>                            | <b>\$ 136,480</b>     | <b>\$ 136,480</b>     | <b>\$ 3,195,410</b> | <b>\$ 3,058,930</b>           |

**Ridgecrest Redevelopment Agency**  
**Supplementary Information, Continued**  
**For the year ended June 30, 2010**

**Budget Comparison Schedule - Capital Projects Fund**

|   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Fund balance, July 1, 2009</b>                             | <u>\$ (647,442)</u>     | <u>\$ 659,955</u> | <u>\$ 4,171,122</u>       | <u>\$ 3,511,167</u>                   |
| Resources (inflows):  |                         |                   |                           |                                       |
| Use of money and property                                     | 120,000                 | 120,000           | 19,422                    | (100,578)                             |
| Proceed on sale of capital assets                             | -                       | -                 | 231,645                   | 231,645                               |
| Transfers In  | <u>1,100,000</u>        | <u>1,100,000</u>  | <u>4,209,329</u>          | <u>3,109,329</u>                      |
| Amount available for appropriation                            | <u>1,220,000</u>        | <u>1,220,000</u>  | <u>4,460,396</u>          | <u>3,240,396</u>                      |
| Charges to appropriations (outflows):                         |                         |                   |                           |                                       |
| Community Development   | 1,026,927               | 1,045,929         | 3,844,480                 | (2,798,551)                           |
| Transfers out   | <u>582,626</u>          | <u>712,635</u>    | <u>615,916</u>            | <u>96,719</u>                         |
| Total charges to appropriations                               | <u>1,609,553</u>        | <u>1,758,564</u>  | <u>4,460,396</u>          | <u>(2,701,832)</u>                    |
| Excess of resources over (under)<br>charges to appropriations | <u>(389,553)</u>        | <u>(538,564)</u>  | <u>-</u>                  | <u>538,564</u>                        |
| <b>Fund balance, June 30, 2010</b>                            | <u>\$ (1,036,995)</u>   | <u>\$ 121,391</u> | <u>\$ 4,171,122</u>       | <u>\$ 4,049,731</u>                   |

***RPA***

## **CAPITAL ASSETS**

**Ridgecrest Redevelopment Agency**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Source\***  
**June 30, 2010**

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**GOVERNMENTAL FUNDS CAPITAL ASSETS:**

|   |                            |
|---|----------------------------|
| Land  | \$ 1,697,709               |
| Buildings and improvements                          | <u>12,092,609</u>          |
| <b>Total governmental funds capital assets</b>      | <u>13,790,318</u>          |
| Accumulated depreciation                            | <u>(8,369,822)</u>         |
| <b>Total governmental funds capital assets, net</b> | <u><u>\$ 5,420,496</u></u> |

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

|   |                            |
|---|----------------------------|
| Special revenue funds                               | <u>\$ 13,790,318</u>       |
| <b>Total governmental funds capital assets</b>      | <u>13,790,318</u>          |
| Accumulated depreciation                            | <u>(8,369,822)</u>         |
| <b>Total governmental funds capital assets, net</b> | <u><u>\$ 5,420,496</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, 2010**

|   | Land                | Buildings and<br>Improvements | Total               |
|---|---------------------|-------------------------------|---------------------|
| <b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>           |                     |                               |                     |
| Community development                               | \$ 1,697,709        | \$ 12,092,609                 | \$ 13,790,318       |
| <b>Total governmental funds capital assets</b>      | <b>1,697,709</b>    | <b>12,092,609</b>             | <b>13,790,318</b>   |
| Accumulated depreciation                            | -                   | (8,369,822)                   | (8,369,822)         |
| <b>Total governmental funds capital assets, net</b> | <b>\$ 1,697,709</b> | <b>\$ 3,722,787</b>           | <b>\$ 5,420,496</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, 2010**

|   | Balance<br>June 30, 2009 | Additions           | Retirements<br>or Transfers | Balance<br>June 30, 2010 |
|---|--------------------------|---------------------|-----------------------------|--------------------------|
| <b>FUNCTION AND ACTIVITY:</b>                       |                          |                     |                             |                          |
| Community development                               | \$ 13,801,028            |                     | \$ (10,710)                 | \$ 13,790,318            |
| <b>Total governmental funds capital assets</b>      | 13,801,028               | -                   | (10,710)                    | 13,790,318               |
| Accumulated depreciation                            | (7,987,780)              | (382,042)           | -                           | (8,369,822)              |
| <b>Total governmental funds capital assets, net</b> | <u>\$ 5,813,248</u>      | <u>\$ (382,042)</u> | <u>\$ (10,710)</u>          | <u>\$ 5,420,496</u>      |

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



Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE (INCLUDING THE PROVISIONS CONTAINED IN THE  
GUIDELINES FOR COMPLIANCE AUDITS ON REDEVELOPMENT AGENCIES)  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Ridgecrest Redevelopment Agency (Agency), a component unit of the City of Ridgecrest, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, 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 deficiency in internal control* exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Diego, California  
December 22, 2010