



CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



City of
RIDGECREST

City of Ridgecrest, California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2017

Prepared by the Finance Department

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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December 8, 2017

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

Attached herein we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Ridgecrest, California (City) for the Fiscal Year ended June 30, 2017. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

The primary purpose in providing this report is to inform the Mayor and City Council of all financial and administrative activities of the previous fiscal year. In addition, this report is directed to two other groups: the citizens of Ridgecrest and the financial community. For the citizens, the report provides an opportunity to correlate City services and accomplishments with the expenditure of financial resources. For the financial community, this report provides information necessary to evaluate financial practices of the City, assure their soundness in accordance with GAAP, and determine the financial capacity of the City to incur and service debt for long-range capital planning.

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

GAAP requires that management provide a narrative introduction, i.e., overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

PROFILE OF THE CITY OF RIDGECREST

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



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

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

As the only incorporated community in the Indian Wells Valley, Ridgecrest boasts a thriving economy and a robust population of over 28,000 people. Ridgecrest acts as the shopping and business center for northeastern Kern County.

The City provides a full range of municipal services. These include public safety, recreation and community services, parks, maintenance and improvement of streets and infrastructure, planning and zoning, housing, economic development, transit, and general government. The City also operates and maintains a waste water plant that serves not only the City residents but also provides service to NAWS.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook

After experiencing the worst economic decline in recent history, the City's financial position has begun to stabilize with modest improvements. Transient Occupancy Tax (TOT) and sales tax revenues are more sensitive to the economic swings. These two sources represent 49% of the total General Fund revenue. Fortunately for the City, employment outlook is stable. Based on the Employment Development Department (EDD) Labor Force data, the City has maintained job levels and the City's unemployment has been staying at 7%. California's unemployment rate is 4.9% while Kern County's rate is 10.30%.

Retail sales are rebounding at a slow pace from the doldrums after the burst of the housing bubble in 2008. Consumers continue to remain cautiously optimistic as the economy begins to stabilize. As a result of the June 5, 2012 election, the City successfully passed a local option sales tax called Measure L. This measure adds .75% to the sales tax making it a total of 8%. It became effective on October 1, 2012 ended on March 31, 2017, when Measure V, a 1% local option sales tax, begins. The City received \$3.4 million in Measure L and V funds for fiscal year 2017.



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The City continues to see growth in community development and new construction. Building permits issued increased by 27% from last year's and the increase in valuation is primarily due to several major expansion at the Ridgecrest Regional Hospital, opening of the Harbor Freight Tools and Tractor Supply stores. As the City leaders continue to concentrate on economic development, this trend is expected to rise. The following table summarizes the historical data for the local construction activity:

Year	Permits	Inspections	Valuation
2010	439	2,759	18.0 M
2011	423	2,510	13.0 M
2012	302	4,299	19.0 M
2013	705	1,603	5.0 M
2014	1020	1,925	9.0 M
2015	615	2,688	5.7 M
2016	1305	2,718	21 M
2017	1655	3,523	17 M

Economic Development

Economic Development has a positive outlook for 2018.

- Both the Harbor Freight Tool and Tractor Supply stores have opened and now supply both new jobs and new tax revenue for the city.
- The RRSA has successfully sold several lots within the Ridgecrest Business Park, including a 25 acre entertainment project for 5.5 million dollars. Environmental review is planned for this project in the current fiscal year which will add for on the new major hotels as well as new restaurants reeling in hundreds of new jobs targeted for FY 2018/2019.
- Development is expected to occur on four new parcels adjacent to the new Super Walmart which are now slated to be both restaurant and retail uses adding to the tax base of the city general revenue.
- The Ridgecrest Regional Hospital has several major expansions on going this year including a major addition to their services. Clients and medical office space provide both several hundred new jobs and better medical services to the city.
- Major improvements to the City Parks and Recreation services are planned with major renovations to several parks and construction of a new splash pad area with additional improvements to Freedom Park.
- Development of a new housing project which will house 198 unit apartments
- Finally, several new retail restaurants and hotel projects are planned to locations on China Lake and Ridgecrest Boulevard including a new Starbucks and Dunkin Donuts.

The overreaching power of the State of California remains a huge concern for the City as the leadership in Sacramento continues to shift local revenues to help finance the state's budget deficits. The dissolution of the redevelopment agencies that became effective in February 1, 2012 continues severely impacting the City's ability to improve its infrastructures and build new ones.

The City is expecting mild growth in the next few years. Meanwhile, the City will continue to project revenues conservatively, while reducing expenditures to maintain core services. The City is cautiously optimistic and is budgeting conservatively for the next year. A reduction of any size could mean reductions in services to the community, and the City is prepared to do it without compromising the basic and critical services to its residents.



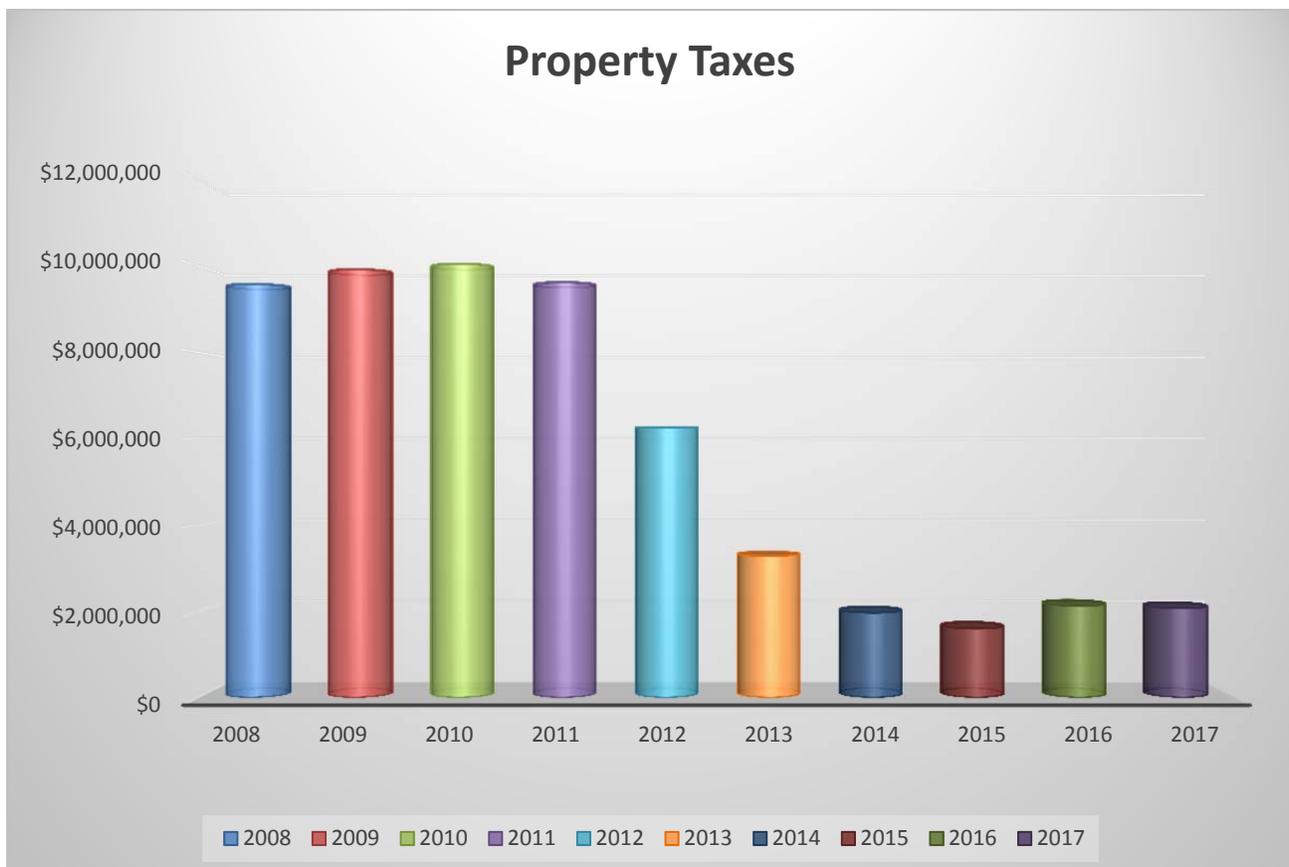
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Property Tax

Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the City. Property is assessed by the County Assessor at a tax rate of 1.0% of the assessed value. The City receives about 5% of the tax rate from the County of Kern – Auditor/Controller’s Office.

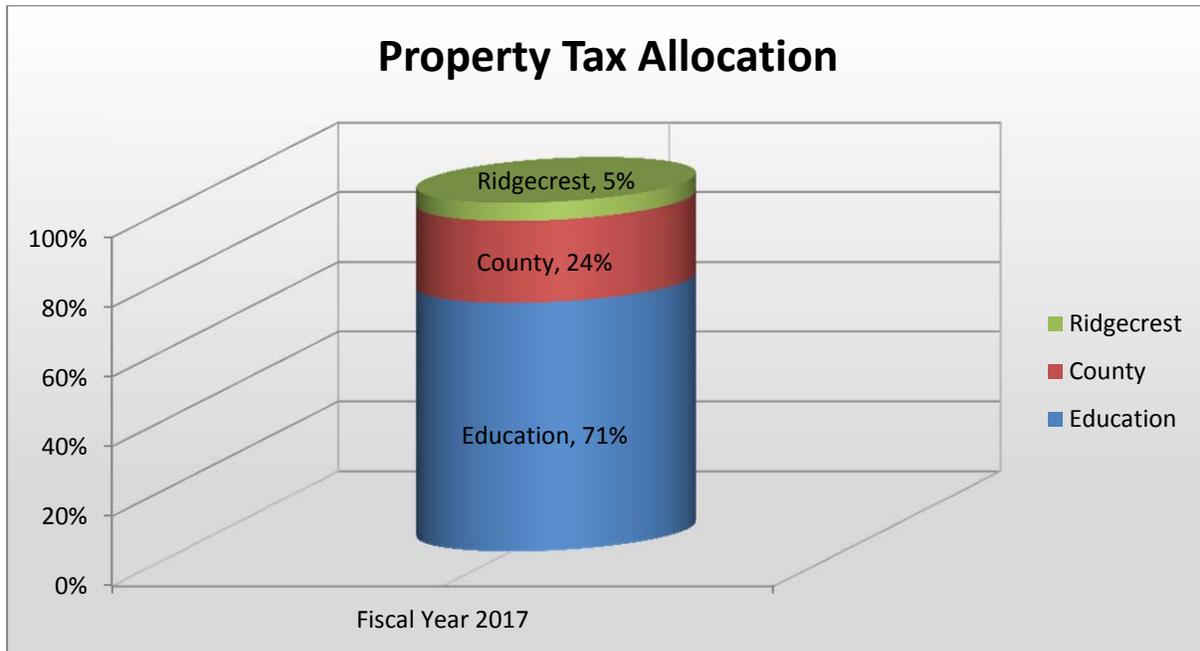
In fiscal years 2000 to 2001, the property tax revenue had negative growth due to dwindling home valuations. In FY 2002, property tax revenue started to move in upward direction, where it peaked up by 16.6% in FY 2004 and another 30% increase in FY 2005 over the previous year’s receipts. This was a well-received indication of rising local property values, as well as, new development activity. In FY 2006, the State started to split the payment of motor vehicle license fees (MVLFF) into two components. These components are the statutory rate and the “property tax in lieu of MVLFF” to Property Tax. The shifting of MVLFF to property tax has added an average of \$2M annually to the City’s property tax revenue, resulting in an increase of 46% in FY 2006. With the dissolution of the RDA, property tax has been drastically reduced, with a 35% reduction in 2012 from 2011, and in 2013 a further decrease of 47% from 2012. FY 2013 property tax revenue suffered a 66% loss from 2012. The 2014 Property Tax is 40% lower, due to a one-time payment in 2013, along with a repayment of \$0.29 million for previous year’s RDA pass-thru. Additionally, FY 2015 property tax was reduced by 18.6% due to the continued \$0.29 million repayment. 2016 saw the first property tax increase since 2010. This increase, due to the end of overage repayment, represents 33%. The City anticipates property taxes will level out and will continue to conservatively budget future year’s proceeds.





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Sales Tax

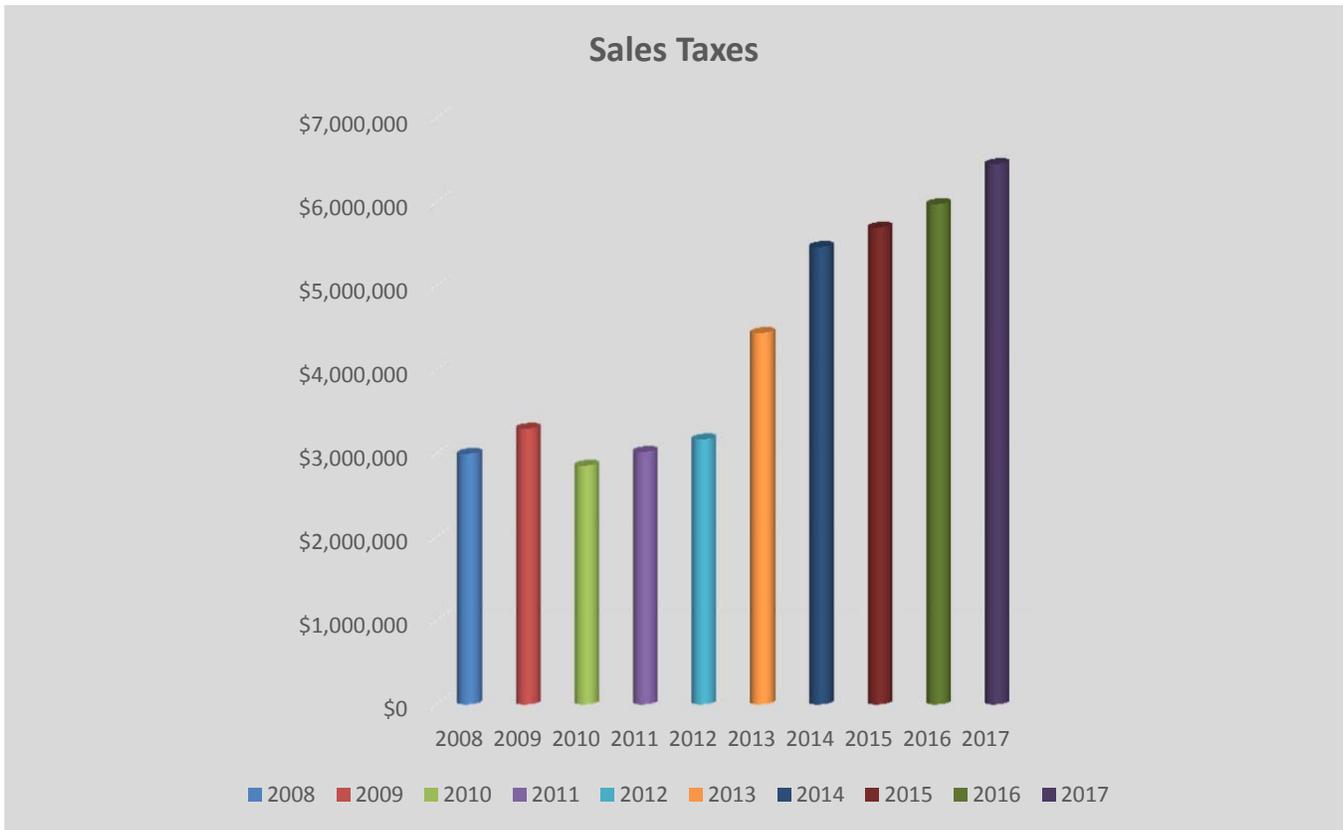
The City's single largest revenue source is sales tax. The total sales tax in Kern County is 7.25% of the sale price of taxable goods and services sold at retail. Ridgecrest receives 1% of taxable sales from the State Board of Equalization. Effective October 1, 2012, sales tax in the City was raised by .75% due to the passage of Measure L. Sales tax increased by 8% in FY 2017 from prior year, due to combination of moderate growth in overall sales tax receipts and implementation of Measure V. In the last ten years, the City's sales tax revenue has continuously climbed at an average rate of 7%, with 2013, by far, the largest increase due to Measure L. Measure L has been crucial in maintaining Public Safety and Road Maintenance; however, this local sales tax option ended on March 31, 2017 when Measure V became effective on April 1, 2017. Measure V is a local sales tax measure that was approved by the voters on November 2016 allowing the city to increase the sales tax by 1% for a term of 8 years.

Sales tax leakage to the metropolitan areas of Victorville, Bakersfield and Lancaster-Palmdale continues to be a big concern for the City especially with limited shopping choices for clothing stores, restaurants and car dealerships. Even with the City's lower sales tax rates, a significant amount of local retail sales is spent outside of Ridgecrest. With the opening of the Super Wal-Mart, Harbor Freight Tools, and Tractor Supply, the City hopes to retain local spending along with drawing retail sales from outlying areas.



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Vehicle License Fees

The Motor Vehicle License Fees was once the third largest source of revenue for the City of Ridgecrest. Vehicle License Fees (VLF), formerly local revenue, is collected by the State of California and apportioned based upon State Department of Finance “certified population”.

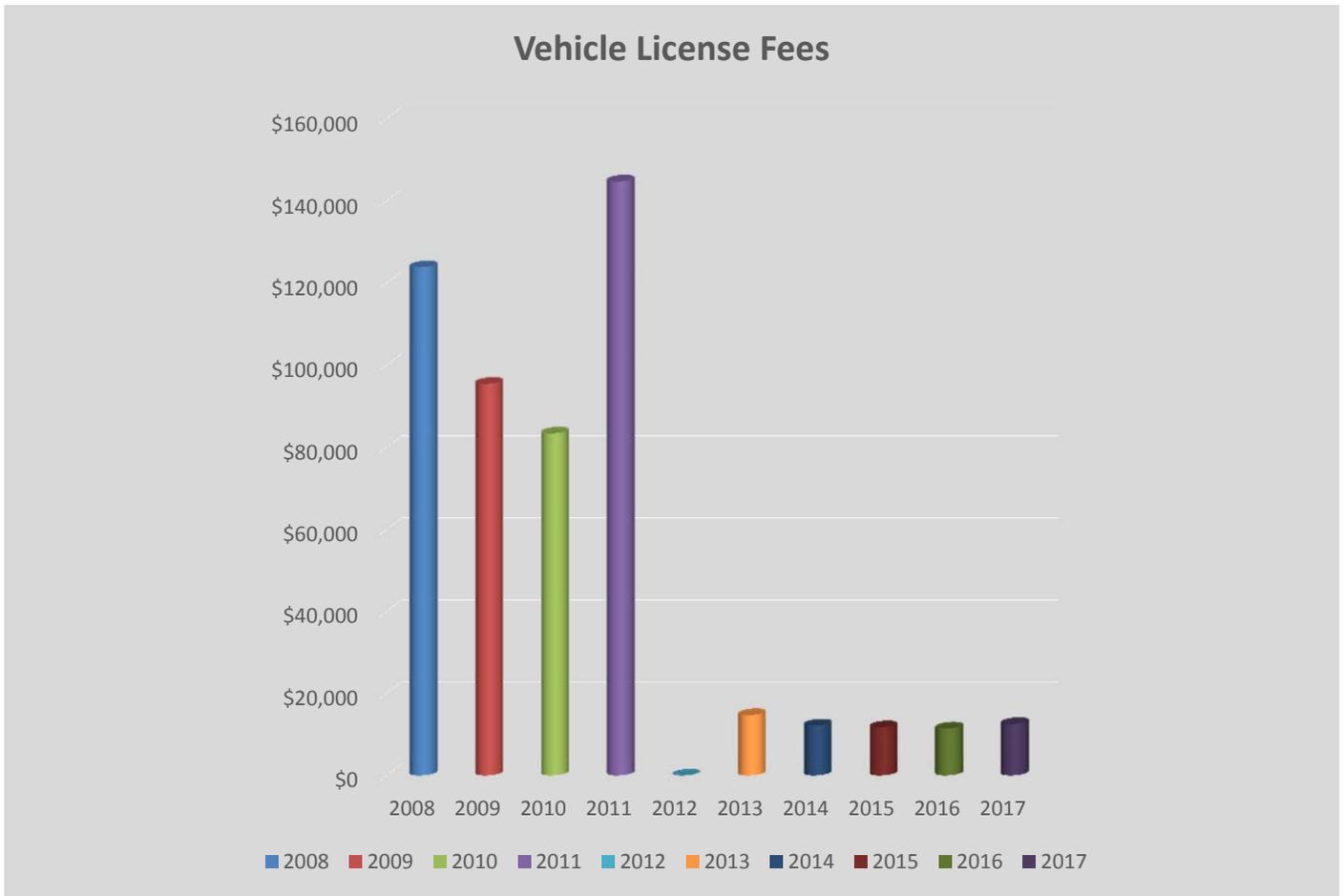
It should be noted that VLF funds now, like sales tax, have been split by the State into two pieces. These two pieces are the statutory rate and the “property tax in lieu of VLF”. In FY 2011, the statutory component (the rate by State law was reduced from 2.0% to 0.65%) brought to the Ridgecrest Treasury \$144,761, a 74% increase over prior fiscal year. However, for FY 2012, the City did not receive any VLF monies. The chart below indicates the trend of VLF revenue. The City received \$12,572 in FY 2017, \$1,105 more than the City received in FY 2016.

The State started the split in FY 2006. The property-tax in lieu of VLF component remained stable in FY 2017 in the amount of \$1,511,688, a slight increase of \$911 from FY 2016. This amount is included in the property tax revenue category instead of the VLF revenue category; thereby, the reason for the tremendous decrease in the chart. Also, in FY 2006, the City received a one-time payment of \$466,886 from the State per AB 1457 for the MVLF Backfill Gap Loan.



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Transient Occupancy Tax

The City's third largest revenue source, transient occupancy tax (TOT), is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 continuous days or longer. The tax is applied to the customer's lodging bill. The total tax rate is 12% including the additional assessment of 2% that is a pass-through to the Ridgecrest Area Convention and Visitors Bureau (RACVB).

In the past years, TOT collections provide funding for such economic development initiatives as the RACVB, the Chamber of Commerce, the City's Community and Economic Development program; as well as other city services. However, funding of these programs has either been eliminated or scaled down.

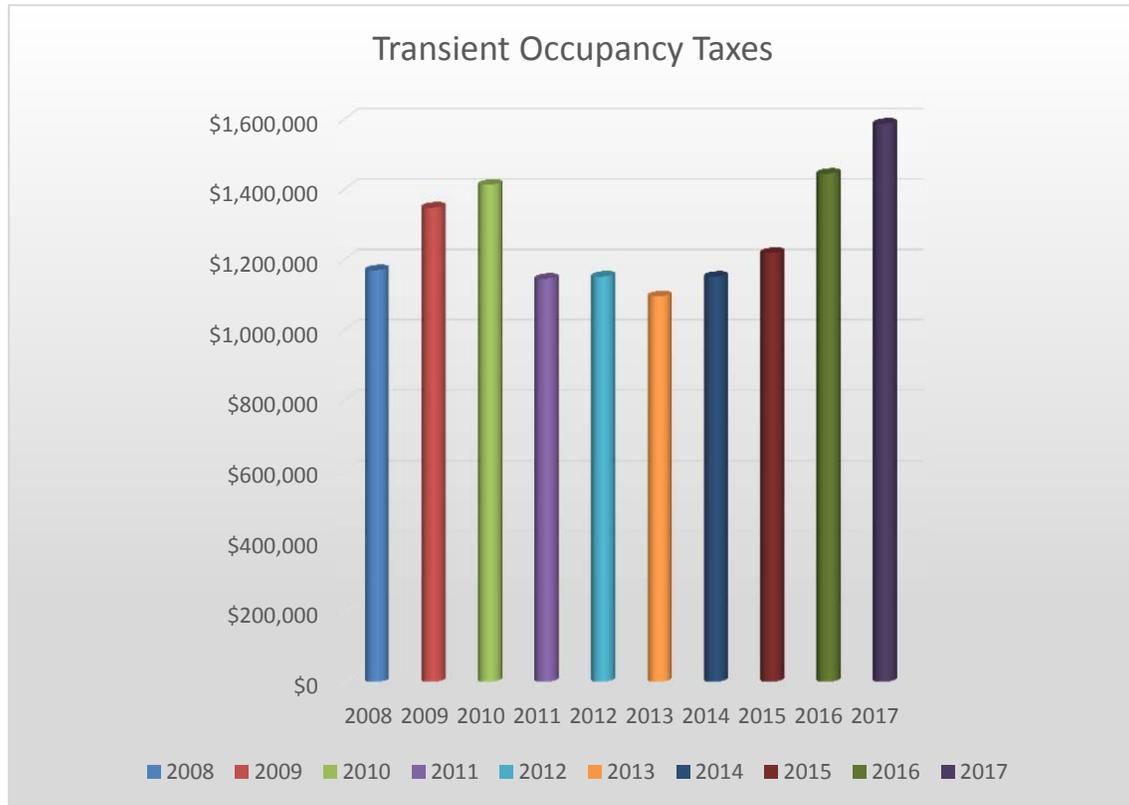
TOT has averaged a 5% growth rate for the last ten fiscal years. FY 2011 saw a significant decline in TOT revenue by 19%. This decrease is directly attributable to the relocation of the Empire Challenge which filled hotels to occupancy limits with participants in August; as well as, the reduction of federal defense employee travel. In FY 2013 TOT receipts went down almost 5% due to sequestration. FY 2014 TOT increased 5.1% due to the end of sequestration along with increased employment on the Navy Base. With continued economic development, in 2017 the City realized a 10% increase in TOT revenue which is expected to continue to rise.



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Effective October 1, 2017, lodging operators were required to assess their guests an additional 3%, making the total hotel tax 13%. The additional assessment is a pass through to the RACVB minus collections costs. This will expire ten years from its effective date.



Business License Taxes

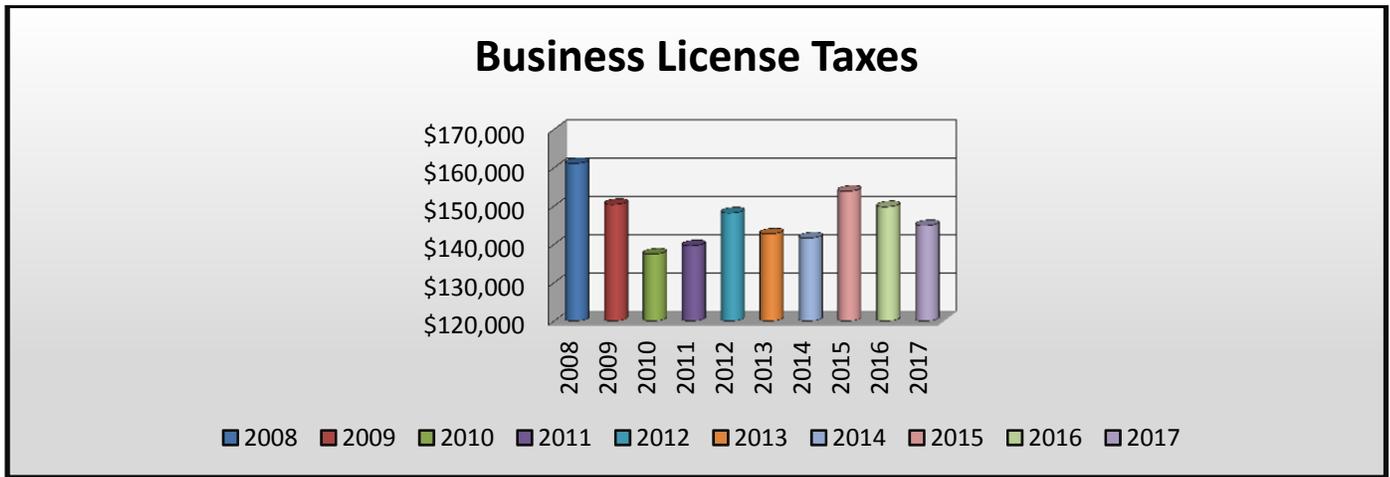
Another significant source of City revenue is the Business License Tax. This Tax is not regulatory in nature. It is based on unit count as opposed to the more common gross receipt ordinances by other cities throughout the state.

In FY 2007, the City conducted a business license audit targeting certain business groups that the City had overlooked in enforcement of this ordinance. This brought in extra revenue of \$37,328 causing a spike in revenue in that fiscal year at a 24% increase compared to FY 2006. FY 2013 saw business license revenue decrease by 3.7% from FY 2012 likely due to business closures, with the NAWs sequestration markedly reduced spending within the community. FY 2017 saw a decrease of business licenses, with a decrease of 3% from last year. With the mild improvement in the economy, the City expects to see a very small increase over the next few years. Over the last ten years, the City's business license tax revenue has increased an average of 1% annually.



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INTERNAL CONTROL STRUCTURE:

City management establishes and maintains an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS:

The City maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City maintains an encumbrance accounting system to provide management with information regarding obligations against appropriations. Budgetary compliance is based on expenditures during the period (GAAP), rather than expenditures and encumbrances (non-GAAP). Because appropriations lapse on June 30, encumbrances outstanding as of June 30, 2017 are disclosed in the notes to the financial statements. Appropriations for FY 2017 will provide authority to complete those transactions.

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

The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budget amounts within any fund during the budget year as long as it does not increase the total budget within the fund; however, any revisions that alter total expenditures of any fund without coinciding revenue increases must be approved by the City Council.

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



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AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ridgecrest for its CAFR for the fiscal year ended June 30, 2016. The City has been receiving this prestigious award every year since 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

LOOKING TO THE FUTURE

Many factors from previous years continue to impact the next fiscal year, both positively and negatively. The City continues to sponsor the annual Petroglyph festival, which brings in thousands of tourists. TAB proceeds funds were released in December 2013 of \$24.9 million to be used for economic development and construction projects in the last few fiscal years; Measure V projected to bring in an additional \$4 million annually. Measure V, which was approved by the voters in November 2016, will continue measure L at an increase rate of 1% for 8 years. FY 2017-18 sales tax is trending higher than previous years due to increase retail options and positive economic outlook. Transient Occupancy Tax (TOT) is expected to make marginal gains. The sale of the 25 acre parcel in Business Park to be developed as entertainment center is expected to provide jobs in 2018-2019.

On the negative side, the City's unfunded pension liability payment will continue to rise and expected to double in five years with an average increase 15% annually. Before ABIX 26, Ridgecrest Redevelopment Agency funded the construction of the City's solar plant and the construction of the senior housing project by borrowing from the City's enterprise fund. After dissolution, the Department of Finance disallowed those obligations until recently, thru legal settlement, the State finally recognized the \$3 million loan to construct the solar plant. However, because our residual tax increment base amount in fiscal year 2013 was enormous, we are not expecting to see the repayment of this loan until all our bond obligations are paid 20 years from now. We are still in pursuing the other \$3 million that funded the senior housing project.

Overall, the economy has stabilized and is expected to make modest gains. Fiscal year 2018 budget assumed conservative revenue estimates along with controlled appropriations to ensure increased fund balance annually. The City is continually reviewing increased revenue opportunities in new grants and fees, along with reviewing efficiencies in order to cut cost. The City Council receives periodic reports on projected year-end balance to ensure the City's financial position continues to strengthen. Strategies are being implemented in fiscal year 2018 to improve fund balance in order to bolster reserves in the general fund.

Economic Development/Redevelopment

The City is dedicated to expanding community growth and resources, and improving community service. Ridgecrest has undertaken a variety of marketing projects in the specific areas of business retention, growth, relocation, recreation and retirement to achieve a highly developed and integrated regional functionality and community partnership with NAWS, Cerro Coso Community College, Sierra Sands Unified School District and the Indian Wells Valley.



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Despite its challenges, Ridgecrest is a city filled with opportunities, where people, commodities, retail, manufacturing, medical resources, innovation, research and development, and the China Lake NAWS converge to create an Eastern Sierra High Desert regional center. Tourism and hospitality services are expanding to meet the potential growth.

ACKNOWLEDGMENTS

While the 2017 CAFR reflects the improvement that Ridgecrest has made to its finances, it also reflects the depth of the impacts that recession and accompanying budget cuts have made on the organization. But, numbers cannot portray the level of commitment that has been and continues to be displayed by City employees. Simply put, the organization would not have survived its budgetary challenges and display the progress shown in this CAFR without the creativity and perseverance of its staff. The citizens of Ridgecrest should be proud to have such dedicated public servants protecting their homes, maintaining their streets, and providing many other services that make life manageable.

The preparation and publication of this report would have not been possible without the dedication, professionalism and teamwork of the entire staff of the Finance Department. We also thank the City's independent auditors, The Pun Group, for their assistance and expertise; and all City departments for their cooperation during the audit engagement and their participation in preparing this report. We would like to express our appreciation to the Mayor and City Council for their interest and support in planning and conducting the City's financial affairs in a responsible and progressive manner.

Respectfully submitted,

Ronald Strand
City Manager/RRSA Executive Director

Tess Sloan
Interim Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Ridgecrest
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

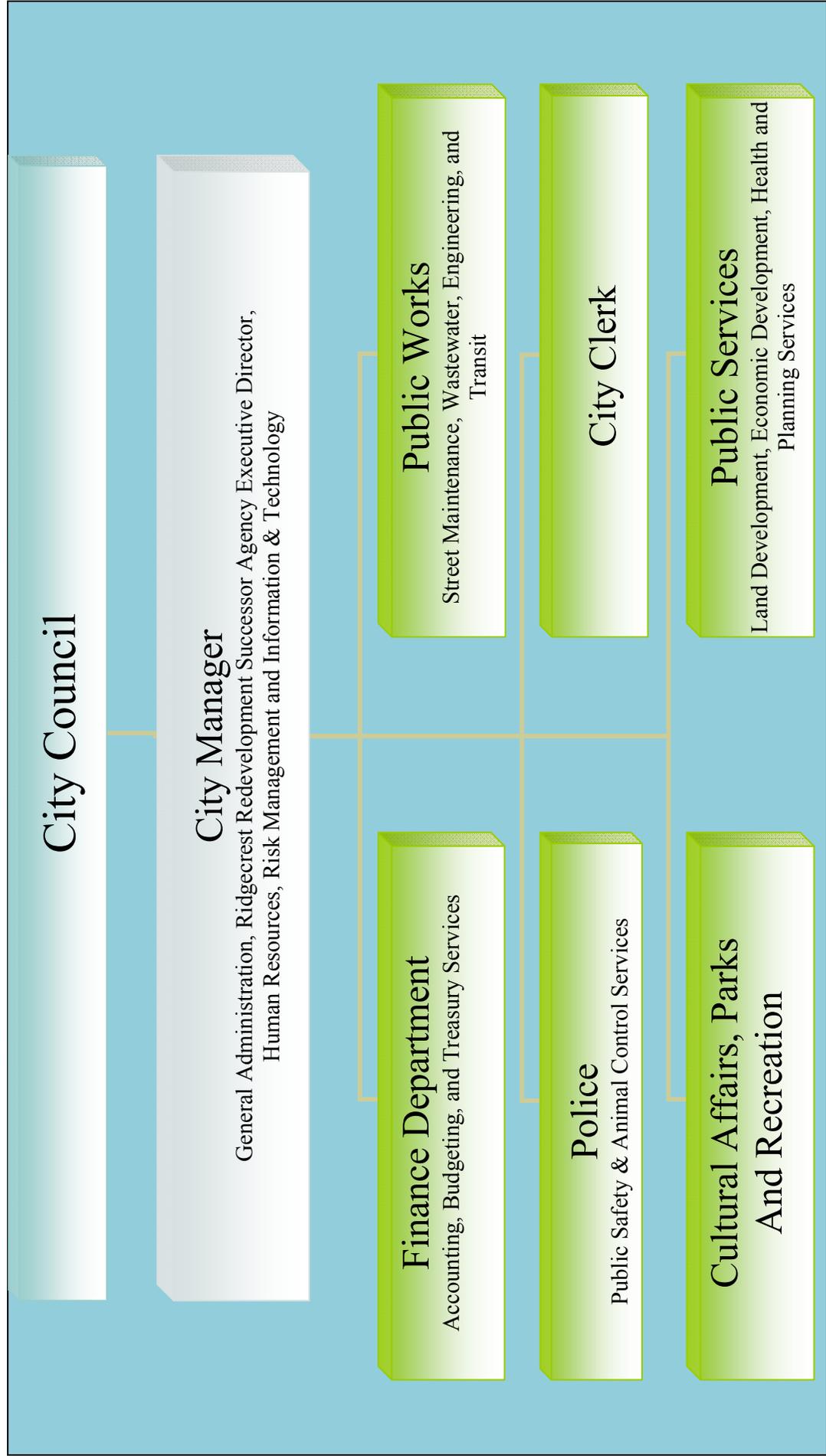
June 30, 2016

Executive Director/CEO

CITY OF RIDGECREST

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2017





City of Ridgecrest

Comprehensive Annual Financial Report

Principal Officials

Peggy Breeden, Mayor
Michael Mower, Mayor Pro-Tempore
Eddie Thomas, Vice Mayor
Lindsey Stephens, Council Member
Wallace Martin, Council Member

City Staff

Ronald Strand, City Manager/RRSA Executive Director
Dennis Speer, Public Works Director
Jed McLaughlin, Acting Chief of Police
Tess Sloan, Interim Finance Director/City-Agency Treasurer
Ricca Charlon, City Clerk



INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ridgecrest, California (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, the Budgetary Comparison Schedule, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions - Pension Plan, and Schedule of Funding Progress - OPEB, as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members
of the City Council of the City of Ridgecrest
Ridgecrest, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 8, 2017

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Management Discussion and Analysis
For the Year Ended June 30, 2017

Management of the City of Ridgecrest (the “City”) provides the Management Discussion and Analysis of the City’s Comprehensive Annual Financial Report (CAFR) for readers of the City’s financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year (FY) ended June 30, 2017. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City’s financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net position, changes in net position and fund disclosures are discussed in more detail later in the report.

Financial Highlights – Primary Government

- ♦ *Government-Wide Highlights*

Net Position – Assets of the City exceeded its liabilities at fiscal year ending June 30, 2017 by \$87.53 million, this compared to \$77.32 million at fiscal year end June 30, 2016. This is an overall increase of \$10.2 million or an increase of 13% of prior year’s net position. Net position for governmental activities exceeded liabilities by \$46.9 million and this compares to \$41.1 million at June 30, 2016 an increase of 14%. The amount of increase in net position was similar to prior fiscal year and that was two consecutive year double digit increase. This was due increase revenue derived from the local add on sales tax, capital grants, and transfers from the former redevelopment agency for the completion of various capital projects funded by Tax Allocation bond proceeds while keeping our expenditures low. Assets for business-type activities exceeded liabilities by \$40.64 million compared to \$36.15 million at June 30, 2016, an increase of 12%, due to increase in revenue by 17% coming from charges for services, operating grants and investment earnings. At the same time, expenditures went down by 26% with most of the savings coming from Wastewater fund.

Changes in Net Position – The City’s net position increased \$10.2 million in FY 2016-2017; this compared to \$8.3 million increase in FY 2015-2016. Net position of governmental activities increased \$5.7 million compared to an increase of \$5.7 million in 2015-2016. Net position of business-type activities increased by \$4.5 million compared to a \$2.6 million increase in FY 2015-2016. This reflects the leveling of the RDA Successor wind-down, Measure L sales tax option, along with the growth of the economy.

- ♦ *Fund Highlights*

Governmental Funds – At the close of FY 2016-2017 the City’s total governmental funds reported a fund balance of \$11.98 million, a \$0.46 million increase from the FY 2015-2016 balance of 11.5 million, a slight increase of 4%, reflective of the increase in fund balance in the General Fund brought by increase in Measure L/V sales tax receipts.

General Fund – The fund balance of the general fund on June 30, 2017 was \$1.457 million, an increase of \$0.78 million from the June 30, 2016 balance of \$0.70 million. As stated above this increase was due to Measure L/V sales tax receipts.

Redevelopment Agency – As of February 1, 2012, redevelopment agencies across California cease to exist pursuant to ABIX 26. The City of Ridgecrest opted to become the Successor Agency to administer the dissolution of the Ridgecrest Redevelopment Agency (RRA). The assets and liabilities of the RRA were transferred to a separate private purpose trust fund. The Successor Agency will be allowed to continue projects and pay off outstanding liabilities that have been determined as “enforceable obligations” as defined by the statute.

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the following:

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

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

Fund Financial Statements

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

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

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

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenses and changes in fund balance with the government-wide financial statements can be found on pages 35 and 36.

The City has 19 governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenses and changes in fund balances. The City's three major funds are: General Fund, City Debt Service Fund, and Capital Improvements Capital Projects Fund. Data from the non-major governmental funds (e.g., Park Development Impact Fund, TDA Street Fund, etc.) are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 32-39. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 112-137.

- ♦ Proprietary Funds - The City maintains two types of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for waste water and transit activities. Internal service funds are used to report any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units on a cost reimbursement basis. The goal of the internal service funds is to measure the full cost of providing goods or services for the purpose of fully recovering that cost through fees or charges. Because internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The basic proprietary funds financial statements can be found on pages 45-48.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-101.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes budgetary comparison schedules for the major funds, schedules and disclosure of the modified approach for the City pavement infrastructure and information regarding the obligation to provide pension benefits to employees. This information can be found on pages 102-108.

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

City of Ridgecrest's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current & Other Assets	\$ 15,153,459	\$ 15,326,479	\$ 25,896,663	\$ 23,721,269	\$ 41,050,122	\$ 39,047,748
Capital Assets	53,841,633	49,664,184	16,710,100	14,635,228	70,551,733	64,299,412
Total Assets	68,995,092	64,990,663	42,606,763	38,356,497	111,601,855	103,347,160
Deferred Outflow	4,459,753	1,891,291	634,644	362,225	5,094,397	2,253,516
Current Liabilities	3,292,755	4,673,210	285,822	309,817	3,578,577	4,983,027
Long-term Liabilities	22,456,311	19,564,094	2,227,361	2,064,003	24,683,672	21,628,097
Total Liabilities	25,749,066	24,237,304	2,513,183	2,373,820	28,262,249	26,611,124
Deferred Inflow	814,913	1,472,573	93,130	194,225	908,043	1,666,798
Net Investment in						
Capital Assets	48,401,633	43,739,184	16,710,100	14,635,228	65,111,733	58,374,412
Restricted	11,058,233	11,197,956	-	-	11,058,233	11,197,956
Unrestricted	(12,569,000)	(13,765,063)	23,924,994	21,515,449	11,355,994	7,750,386
Total Net Position	\$ 46,890,866	\$ 41,172,077	\$ 40,635,094	\$ 36,150,677	\$ 87,525,960	\$ 77,322,754

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$87.5 million at the close of fiscal year ending June 30, 2017.

80.6% of the City's total net position reflects its investment in capital assets (e.g., land, streets, sewers, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

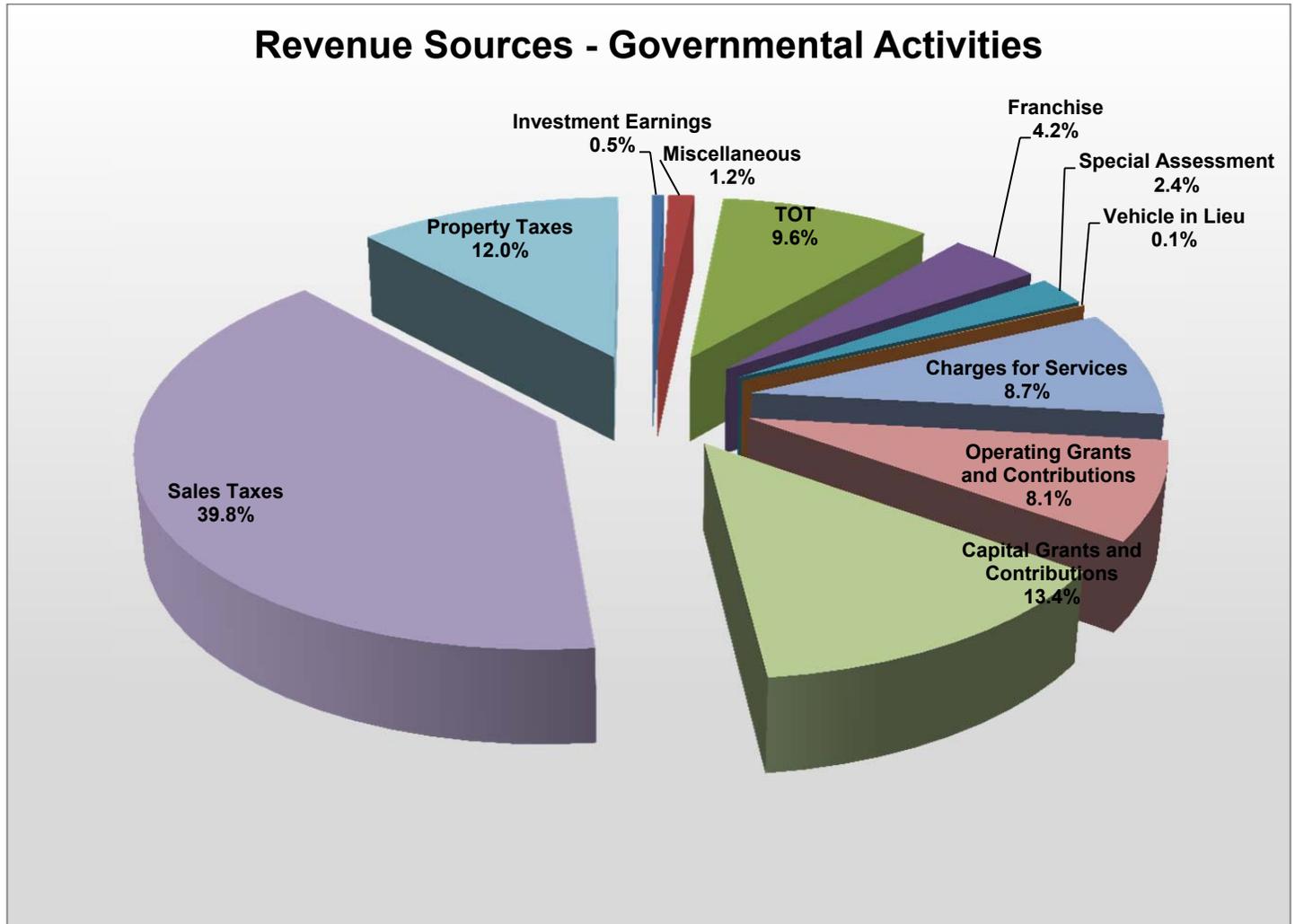
The remaining City net position (19.4%) represents resources that are subject to external restrictions (e.g., capital projects, community development, debt services and special projects) and resources that are unrestricted to meet the City's ongoing obligations to citizens and creditors.

At the end of the FY 2016-17, the City is able to report positive balances in all three categories of net position, both for the government as a whole; as well as, for its separate governmental and business-type activities. The City's net position was increased by \$10.2 million during the fiscal year, a 13% increase. This was due increase revenue derived from the local add on sales tax, capital grants, and transfers from the former redevelopment agency for the completion of various capital projects funded by Tax Allocation bond proceeds while keeping our expenditures low.

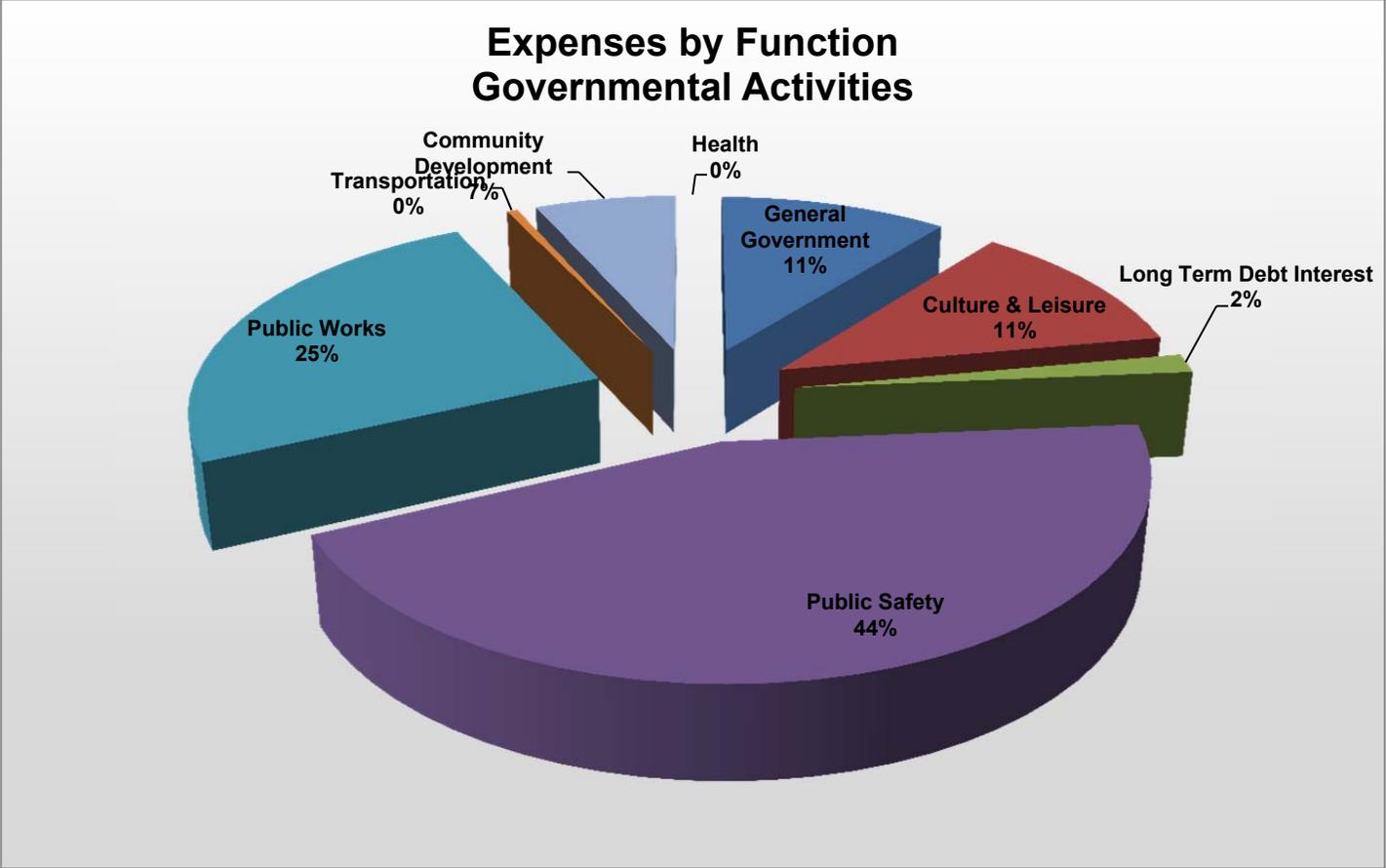
**City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017**

Governmental Activities

Governmental activities increased the City's net position by \$5.7 million. The increase in the net position for governmental activities is attributed to increase revenue derived from the local add on sales tax, capital grants, and transfers from the former redevelopment agency for the completion of various capital projects funded by Tax Allocation bond proceeds while keeping our expenditures low. The charts that follow show the program revenues, general revenues and expenses by function for all Governmental activities.



**City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017**



City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Statement of Activities
For the Year Ended June 30, 2017

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,432,902	\$ 1,633,289	\$ 6,394,147	\$ 6,055,846	\$ 7,827,049	\$ 7,689,135
Operating grants and contributions	1,328,471	1,647,328	451,898	93,577	1,780,369	1,740,905
Capital grants and contributions	2,196,184	1,042,058	-	-	2,196,184	1,042,058
Total program revenues	4,957,557	4,322,675	6,846,045	6,149,423	11,803,602	10,472,098
General revenues:						
Property taxes	1,976,015	2,125,926	-	-	1,976,015	2,125,926
Sales taxes	6,535,498	5,974,873	-	-	6,535,498	5,974,873
Transient Occupancy Tax	1,585,442	1,443,149	-	-	1,585,442	1,443,149
Franchise Tax	696,431	702,751	-	-	696,431	702,751
Special Assessments	392,664	1,639,143	-	-	392,664	1,639,143
Vehicle in lieu tax	12,572	11,467	618,970	721,500	631,542	732,967
Total taxes	11,198,622	11,897,309	618,970	721,500	11,817,592	12,618,809
Investment earnings	86,111	33,919	147,005	84,815	233,116	118,734
Miscellaneous	192,484	1,124,780	11,638	19,398	204,122	1,144,178
Revenues from Fiduciary Fund	5,085,152	3,735,484	-	-	5,085,152	3,735,484
Transfers	690,252	1,037,827	(690,252)	(1,037,827)	-	-
Total general revenues and transfers	17,252,621	17,829,319	87,361	(212,114)	17,339,982	17,617,205
Total revenues	22,210,178	22,151,994	6,933,406	5,937,309	29,143,584	28,089,303
Expenses:						
General government	1,751,017	1,754,299			1,751,017	1,754,299
Public safety	7,311,427	6,684,042			7,311,427	6,684,042
Public works	4,109,004	3,115,236			4,109,004	3,115,236
Transportation	82,051	2,213,317			82,051	2,213,317
Community Development	1,089,482	1,018,186			1,089,482	1,018,186
Health	-	-			-	-
Culture & Leisure	1,892,820	1,426,011			1,892,820	1,426,011
Interest on long-term debt	255,588	275,499			255,588	275,499
Transit			849,257	832,756	849,257	832,756
Waste Water			1,599,732	2,496,953	1,599,732	2,496,953
Total expenses	16,491,389	16,486,590	2,448,989	3,329,709	18,940,378	19,816,299
Change in net position	5,718,789	5,665,404	4,484,417	2,607,600	10,203,206	8,273,004
Net position, beginning of year	41,172,077	35,506,673	36,150,677	33,543,077	77,322,754	69,049,750
Net position, end of year	\$ 46,890,866	\$ 41,172,077	\$ 40,635,094	\$ 36,150,677	\$ 87,525,959	\$ 77,322,753

Governmental Activities

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

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

- ♦ General government expenses include those expenses necessary for the operation of the general operation of the City. These include but are not limited to:
 - City Council,
 - City Manager,
 - City Clerk,
 - Legal Expenses,
 - Human Resources,
 - Financial Administration (Treasury) and
 - Administration which includes non-departmental City Hall expense, Advertising & Promotion.
- ♦ Public Safety expenses include both Police and Fire Protection Services.
- ♦ Community Development expenses includes planning, building, housing, code enforcement, and economic development expenses.
- ♦ Culture & Leisure expenses cover Parks and Recreation services including the operation of the Senior Center building, Recreation Services and the Community Center.
- ♦ Public Works include engineering and its administration.

Business Type Activities

The City operates two business-type activities. These are the City's Transit System and its Wastewater System. These business-type activities increased the City's net position by \$4.48 million over the prior year compared to an increase of \$2.6 million from FY 2015-2016.

As in prior years the City's Transit System was supported primarily through a combination of State and Federal assistance. The largest of these was the State Transportation Development Act (TDA). Since the decline of federal funds beginning in fiscal year 2002, the City has been using TDA, 5311 grants, PTMISEA funds and other operational funds to purchase buses. The Wastewater fund is 100% supported by user fees collected for the City via property tax billing by Kern County.

INTERNAL SERVICE FUNDS

The City has three (3) internal service funds: Human Resources/Risk Management, Self-Insurance Workers' Compensation, and Fleet Maintenance. These funds are used to account for interdepartmental operations where the costs of services provided to the departments are financed or recovered by charging the user department.

Human Resources/Risk Management

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

Self- Insurance Workers' Compensation

The Workers' Compensation Fund accounts for resources that are received and expended on the City's self- insurance plan. This plan has been in effect since July 1, 2007.

Fleet Maintenance

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

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

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

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City’s financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

- ***Governmental Funds*** – The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2017, and includes Major and Non-Major Funds. It reflects the amount for each source of revenue and what percentage of the total revenue that source of revenue represents.

Source of Revenue	FY 14-15 Amount	Percent of Total	FY 15-16 Amount	Percent of Total	FY 16-17 Amount	Percent of Total
Taxes	\$ 10,030,177	38.0%	\$ 10,968,507	51.9%	\$ 11,510,228	53.5%
Intergovernmental	9,384,909	35.6%	2,128,892	10.1%	2,965,293	13.8%
Licenses, Permits & Fees	549,406	2.1%	2,299,752	10.9%	796,224	3.7%
Fines and Forfeitures	72,806	0.3%	57,869	0.3%	70,153	0.3%
Assessment levied	10,526	0.0%	19,676	0.1%	32,068	0.1%
Use of Money & Property	253,342	1.0%	220,630	1.0%	271,516	1.3%
Charges for Services	553,864	2.1%	552,666	2.6%	548,420	2.5%
Other Revenues	358,840	1.4%	1,141,106	5.4%	241,083	1.1%
Transfers form Fiduciary Fund	5,154,181	19.5%	3,735,484	17.7%	5,085,152	23.6%
Total	\$ 26,368,051	100.0%	\$ 21,124,582	100.0%	\$ 21,520,137	100.0%

As of the end of the current year, the City of Ridgecrest’s governmental funds reported combined ending fund balances of \$11.98 million, an increase of \$0.458 million compared to last fiscal year due to higher than expected Measure L/V sales tax revenue. Of this ending fund balance, the unassigned fund balance is (\$188,248). The majority of the fund balance, \$9.87 million, is restricted, of that amount \$5.38 million is the receivable from the Successor Agency and balance of the trust fund for the 2005 Refunding Certificates of Participation. The remainder of the restricted fund balance comes from the four impact fees funds. The increase in restricted fund balances was due to those impact fees accumulating but not enough to fund capital projects they are being collected for.

Committed Fund Balance includes amounts that are committed for specific purposes by formal action of the City Council. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the City Council removes or changes the limitation by taking the same form of action it employed to previously impose the limitation. Total committed fund balance within the governmental funds is \$630,079; \$16,682 is committed for Park Development and \$613,397 is committed for SubStandard Street projects.

Assigned Fund Balance includes amounts that are intended by the City to be used for specific purposes but are neither restricted nor limited. Of the combined ending fund balance of \$11,978,028, \$1,376,600 is classified as Assigned Fund Balance. Of that amount \$748K of it came from unexpected Measure L/V sales tax revenue. This extra funds is assigned for the street capital improvement specifically the Downs Street between Ridgecrest Blvd and Upjohn Ave.

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. The primary source of its revenues are taxes; primarily sales taxes including a collection of Measure L/V local option sales tax. Final budgeted revenues received was within acceptable budget variance. Increase in revenue in the final budget is due to better than expected Measure V sales tax receipts and property tax revenue, a definite indication that the city's economy is improving. Increases in the final budget expenditures is a result of carry-over obligations and commitments from the previous fiscal year. The General fund received an excess \$0.77 million in resources over charges to appropriations. This increased the General Fund balance to \$ 1.475 million. The City has made substantial strides to wipe out its negative fund balance with continued budget reduction, capital outlay deferrals, closely monitoring fiscal position and conservative revenue estimates. The City plans to build its fund balance to equal at least three months' worth of its annual expenditures within the next 3-5 years.

	For the Fiscal Year Ended June 30, 2017				For the Fiscal Year Ended June 30, 2016			
	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final			Original	Final		
Fund balance, July 1			\$ 700,607			\$ (1,001,031)		
Resources (inflows):								
Taxes	9,823,500	9,923,500	10,935,252	1,011,752	9,763,500	9,523,446	10,393,508	870,062
Intergovernmental revenue	249,150	275,220	201,972	(73,248)	452,620	556,091	416,886	(139,205)
Licenses, fees, and permits	406,600	406,600	441,098	34,498	406,600	759,803	696,606	(63,197)
Fines and forfeitures	59,300	59,300	70,153	10,853	59,300	59,300	57,869	(1,431)
Assessment levied	-	-	-	-	-	-	-	-
Use of money and property	243,500	243,500	217,239	(26,261)	314,046	314,046	196,241	(117,805)
Current service charges	475,123	475,123	548,420	73,297	443,930	443,930	552,666	108,736
Other revenues	123,200	123,200	139,862	16,662	298,200	298,200	1,079,137	780,937
Transfers from other funds	1,821,003	1,842,670	1,460,222	(382,448)	1,806,600	1,848,058	1,673,260	(174,798)
Amount available for appropriation	13,201,376	13,349,113	14,014,218	665,105	13,544,796	13,802,874	15,066,173	1,263,299
Charges to appropriations (outflows):								
General government	1,990,037	2,079,908	1,857,795	222,113	1,988,299	1,936,573	1,833,130	103,443
Public safety	6,993,468	7,089,623	6,559,324	530,299	7,082,555	7,161,751	6,755,693	406,058
Public works	474,034	479,719	357,941	121,778	320,481	491,713	356,541	135,172
Community development	1,105,108	1,174,338	913,914	260,424	978,055	1,175,859	1,090,591	85,268
Health	53,237	64,712	34,707	30,005	3,661	36,923	-	36,923
Culture and leisure	1,433,157	1,661,093	1,591,654	69,439	1,363,673	1,325,751	1,371,883	(46,132)
Capital Outlay	300,601	300,601	299,964	637	292,200	373,394	280,792	92,602
Non-departmental:								
Transfers to other funds	1,395,381	1,668,559	1,624,478	44,081	1,813,117	2,105,938	1,675,905	430,033
Total charges to appropriations	13,745,023	14,518,553	13,239,777	1,278,776	13,842,041	14,607,902	13,364,535	1,243,367
Excess of resources over (under) charges to appropriations	(543,647)	(1,169,440)	774,441	1,943,881	(297,245)	(805,028)	1,701,638	2,506,666
Fund balance, June 30			\$ 1,475,048				\$ 700,607	

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Capital Asset and Debt Administration

The City's investment in capital assets for its Governmental and Business Type activities as of June 30, 2017, amounts to \$70.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and highways, sewers, storm drains and related infrastructure. Total capital assets increased by \$6.3 million from prior year. New assets total \$4.18 million for governmental activities, primarily due to new construction on street improvement and municipal facilities. With the end of available Tax Allocation Bonds (TAB) funds, construction will wind down in 2017-18. The schedule below shows the summary of the City's capital assets by class and by type of activity. The assets are reported at historical cost, net of accumulated depreciation when applicable. These amounts do not represent the market value or replacement cost of the City's assets, which would be substantially more.

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land	\$ 2,425,599	\$ 1,614,217	\$ 4,039,816
Construction in process	3,312,358	2,304,471	5,616,829
Total non-depreciable assets, net	5,737,957	3,918,688	9,656,645
<i>Depreciable Assets:</i>			
Buildings and improvements	9,720,818	3,337,207	13,058,025
Machinery and equipment	7,190,144	4,007,782	11,197,926
Infrastructure	123,500,786	18,877,601	142,378,387
	140,411,748	26,222,590	166,634,338
Less accumulated depreciation	(92,308,072)	(13,431,178)	(105,739,250)
Total depreciable assets, net	48,103,676	12,791,412	60,895,088
Total capital assets	\$ 53,841,633	\$ 16,710,100	\$ 70,551,733

Additional information on the capital assets can be found in Note 4 on pages 98-100 of this report.

- ***Long-Term Debt*** - At the end of the current fiscal year, the City had a total of Governmental Activities long term debt outstanding of \$7.682 million, a net decrease of \$494,962 compared from prior year due to decrease of principal and decrease in compensated absences. The outstanding debt of \$7.682 million consists of \$5.44 million for the 2005 Refunding COP bonds that were issued in fiscal year 2006 to advance refund the 1999 COP in order to capture favorable interest rates to lower the City's borrowing.

Long Term Debt from Fiduciary Funds has a balance of \$26.3 million from the 2010 Tax Allocation Refunding Bond to provide funds to refund the 1999 Tax Allocation Bonds.

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

	Balance			Balance June 30, 2017	Due within one year	Due in more than one year
	June 30, 2016	Additions	Deletions			
Governmental Activities						
2005 Refunding Certificates of Participation	5,925,000	-	(485,000)	5,440,000	510,000	4,930,000
Compensated Absences	2,252,106	987,478	(997,440)	2,242,144	880,620	1,361,524
Total Government Activities	8,597,438	987,478	(1,482,440)	7,682,144	1,390,620	6,291,524
Fiduciary Funds						
Tax Allocation Bonds	27,935,000	-	(1,055,000)	26,880,000	1,050,000	25,830,000
Less: Bond discount	(564,277)	-	26,870	(537,407)		(537,407)
	28,425,723	-	(1,028,130)	26,342,593	1,050,000	25,292,593
Total	\$ 37,023,161	\$ 987,478	\$ (2,510,570)	\$ 34,024,737	\$ 2,440,620	\$ 31,584,117

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its assessed valuation. Additional information on the City of Ridgecrest long-term debt can be found in Note 5 on page 101 of this report.

Economic Factors and Next Year's Budget

Many factors from previous years continue to impact the next fiscal year, both positively and negatively. On the positive side, the citizens of the City approved Measure V in November 2016 election replacing Measure L starting in April 1, 2017 and extending it to March 31, 2025. This new source of revenue is expected to bring in more than the regular sales tax revenue. Two new major stores opened this fiscal year, Harbor Freight Tools and Tractor Supply Co. Development is expected to occur on four new parcels adjacent to the new Super Walmart which are now slated to be both restaurant and retail store. Plan is underway to fill the other half of the old Wal-Mart building. Starbucks is opening another store. The Successor Agency sold a 25 acre parcel in Business Park to be developed as a new entertainment venue which includes a new hotel and restaurants. The City continues to hold the annual Petroglyph festival in November, which brought in thousands of tourists. With all these retail development we expect the sales tax to continue in upward trend.

On the negative side, the City is still trying to collect the \$3 million from the State when it disallowed it as obligation on RDA's ROPS. As the winding down of the spending of the proceeds of the 2010 Tax Allocation Bonds, the City will continue to have challenges on finding the funding for its capital improvements; however funding coming from the passage of SB1 (Road Repair & Accountability Act of 2017) will definitely help unless the movement on repealing the increase in gas tax succeed.

Overall, the economy has stabilized and is expected to make modest gains. Fiscal year 2018 budget assumed conservative revenue estimates along with controlled appropriations to ensure increased fund balance annually. The City is continually reviewing increased revenue opportunities in new grants and fees, along with reviewing efficiencies in order to cut cost. The City Council receives periodic reports on projected year-end balance to ensure the City's financial position continues to strengthen. Strategies are being implemented in fiscal year 2018 to improve fund balance in order to bolster reserves in the general fund. New hires after December 31, 2012 who are not currently in the public pension system will be enrolled in substantially lower pension benefit and will be required to pay at least 50% of the pension cost. This reform may have a minimal savings in the current budget but there will be substantial savings in the long term. The amortization payment of the unfunded pension liability is expected to double in the next five years which could affect the City's level of service.

The State of California has legally taken away the redevelopment assets and revenue from every city in the State, has significantly changed the revenue sources, and has required the City to look for other revenue options with a significant focus on economic development. The passage of Measure L had significantly mitigated the effects on Police and Streets, and the passage of Measure V will continue that effort with an increased funding level.

City of Ridgecrest
Management Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

REQUESTS FOR INFORMATION

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

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Comprehensive Annual Financial Report
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Basic Financial Statements



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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Government-Wide Financial Statements



City of Ridgecrest
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 11,117,270	\$ 19,507,512	\$ 30,624,782
Receivables:			
Accounts	462,694	257,620	720,314
Taxes	1,368,512	-	1,368,512
Interest	20,435	41,834	62,269
Deposits	10,241	-	10,241
Internal balances	(3,585,082)	3,585,082	-
Inventories	18,607	-	18,607
Total current assets	<u>9,412,677</u>	<u>23,392,048</u>	<u>32,804,725</u>
Noncurrent assets:			
Cash and investments with fiscal agent	752,188	-	752,188
Due from Fiduciary Fund	4,685,504	2,504,615	7,190,119
Loans receivable	234,239	-	234,239
Capital assets:			
Nondepreciable	5,737,957	3,918,688	9,656,645
Depreciable, net	48,103,676	12,791,412	60,895,088
Total capital assets, net	<u>53,841,633</u>	<u>16,710,100</u>	<u>70,551,733</u>
Net OPEB asset	<u>68,851</u>	<u>-</u>	<u>68,851</u>
Total noncurrent assets	<u>59,582,415</u>	<u>19,214,715</u>	<u>78,797,130</u>
Total assets	<u>68,995,092</u>	<u>42,606,763</u>	<u>111,601,855</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>4,459,753</u>	<u>634,644</u>	<u>5,094,397</u>
Total deferred outflows of resources	<u>4,459,753</u>	<u>634,644</u>	<u>5,094,397</u>

City of Ridgecrest
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	421,388	252,651	674,039
Interest payable	80,117	-	80,117
Salaries payable	174,624	28,450	203,074
Other payroll deductions payable	269,541	-	269,541
Deposits payable	110,281	-	110,281
Unearned revenue	326,585	4,721	331,306
Claims payable - due within one year	519,599	-	519,599
Compensated absences - due within one year	880,620	-	880,620
Long-term debt - due within one year	510,000	-	510,000
Total current liabilities	<u>3,292,755</u>	<u>285,822</u>	<u>3,578,577</u>
Long-term liabilities:			
Claims payable - due in more than one year	1,211,392	-	1,211,392
Aggregate net pension liability - due in more than one year	14,953,395	2,227,361	17,180,756
Compensated absences - due in more than one year	1,361,524	-	1,361,524
Long-term debt - due in more than one year	4,930,000	-	4,930,000
Total long-term liabilities	<u>22,456,311</u>	<u>2,227,361</u>	<u>24,683,672</u>
Total liabilities	<u>25,749,066</u>	<u>2,513,183</u>	<u>28,262,249</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	814,913	93,130	908,043
Total deferred inflows of resources	<u>814,913</u>	<u>93,130</u>	<u>908,043</u>
NET POSITION			
Net investment in capital assets	48,401,633	16,710,100	65,111,733
Restricted for:			
Special projects	1,818,151	-	1,818,151
Debt service	5,381,347	-	5,381,347
Capital projects	3,378,688	-	3,378,688
Other purpose	480,047	-	480,047
Total restricted	<u>11,058,233</u>	<u>-</u>	<u>11,058,233</u>
Unrestricted (deficit)	<u>(12,569,000)</u>	<u>23,924,994</u>	<u>11,355,994</u>
Total net position	<u>\$ 46,890,866</u>	<u>\$ 40,635,094</u>	<u>\$ 87,525,960</u>

City of Ridgecrest
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 1,751,017	\$ 291,687	\$ -	\$ 43,024	\$ 334,711
Public safety	7,311,427	334,668	286,358	-	621,026
Public works	4,109,004	4,765	-	-	4,765
Transportation	82,051	-	1,034,605	2,153,160	3,187,765
Health	-	-	7,508	-	7,508
Community development	1,089,482	468,418	-	-	468,418
Culture and leisure	1,892,820	333,364	-	-	333,364
Interest on long-term debt	255,588	-	-	-	-
Total governmental activities	<u>16,491,389</u>	<u>1,432,902</u>	<u>1,328,471</u>	<u>2,196,184</u>	<u>4,957,557</u>
Business-Type activities:					
TDA transit	849,257	309,271	196,112	-	505,383
Wastewater improvement	1,599,732	6,084,876	255,786	-	6,340,662
Total business-type activities	<u>2,448,989</u>	<u>6,394,147</u>	<u>451,898</u>	<u>-</u>	<u>6,846,045</u>
Total primary government	<u>\$ 18,940,378</u>	<u>\$ 7,827,049</u>	<u>\$ 1,780,369</u>	<u>\$ 2,196,184</u>	<u>\$ 11,803,602</u>

City of Ridgecrest
Statement of Activities (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (1,416,306)	\$ -	\$ (1,416,306)
Public safety	(6,690,401)	-	(6,690,401)
Public works	(4,104,239)	-	(4,104,239)
Transportation	3,105,714	-	3,105,714
Health	7,508	-	7,508
Community development	(621,064)	-	(621,064)
Culture and leisure	(1,559,456)	-	(1,559,456)
Interest on long-term debt	(255,588)	-	(255,588)
Total governmental activities	(11,533,832)	-	(11,533,832)
Business-Type activities:			
TDA transit	-	(343,874)	(343,874)
Wastewater improvement	-	4,740,930	4,740,930
Total business-type activities	-	4,397,056	4,397,056
Total primary government	(11,533,832)	4,397,056	(7,136,776)
General revenues:			
Taxes:			
Property taxes	1,976,015	-	1,976,015
Sales taxes	6,535,498	-	6,535,498
Transient occupancy tax	1,585,442	-	1,585,442
Franchise tax	696,431	-	696,431
Special assessments	392,664	-	392,664
Vehicle in lieu tax	12,572	618,970	631,542
Total taxes	11,198,622	618,970	11,817,592
Investment earnings	86,111	147,005	233,116
Miscellaneous	192,484	11,638	204,122
Transfers from Fiduciary Fund (Note 6)	5,085,152	-	5,085,152
Transfers	690,252	(690,252)	-
Total general revenues and transfers	17,252,621	87,361	17,339,982
Change in net position	5,718,789	4,484,417	10,203,206
Net position - beginning of year	41,172,077	36,150,677	77,322,754
Net position - end of year	\$ 46,890,866	\$ 40,635,094	\$ 87,525,960

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Fund Financial Statements

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements



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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Governmental Fund Financial Statements



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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Funds of the City are outlined below:

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

City Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the debt.

Capital Improvements Capital Projects Fund - This fund is used to account for financial resources to be used for acquisition, construction and improvement of the city's major capital facilities.

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

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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**City of Ridgecrest
Balance Sheet
Governmental Funds
June 30, 2017**

	Major Funds				Total Governmental Funds
	General Fund	City Debt Service Fund	Capital Improvements Capital Projects Fund	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 4,184,340	\$ -	\$ 349,060	\$ 4,936,191	\$ 9,469,591
Cash and investments with fiscal agent	-	752,188	-	-	752,188
Receivables:					
Accounts	211,069	-	84,399	167,226	462,694
Taxes	1,365,304	-	-	-	1,365,304
Interest	8,719	-	723	10,993	20,435
Loans	-	-	-	234,239	234,239
Deposits	-	-	-	10,241	10,241
Due from Fiduciary	56,345	4,629,159	-	-	4,685,504
Total assets	\$ 5,825,777	\$ 5,381,347	\$ 434,182	\$ 5,358,890	\$ 17,000,196
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 258,203	\$ -	\$ 54,164	\$ 64,556	\$ 376,923
Salaries payable	161,060	-	-	11,553	172,613
Other payroll deductions payable	216,445	-	-	-	216,445
Deposits payable	70,414	-	39,867	-	110,281
Unearned revenue	59,525	-	-	267,060	326,585
Advances from other funds	3,585,082	-	-	-	3,585,082
Total liabilities	4,350,729	-	94,031	343,169	4,787,929
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	234,239	234,239
Total deferred inflows of resources	-	-	-	234,239	234,239
Fund Balances:					
Nonspendable	56,345	-	-	234,239	290,584
Restricted	480,047	5,381,347	-	4,007,619	9,869,013
Committed	-	-	-	630,079	630,079
Assigned	938,656	-	340,151	97,793	1,376,600
Unassigned (deficit)	-	-	-	(188,248)	(188,248)
Total fund balances	1,475,048	5,381,347	340,151	4,781,482	11,978,028
Total liabilities, deferred inflows of resources and fund balances	\$ 5,825,777	\$ 5,381,347	\$ 434,182	\$ 5,358,890	\$ 17,000,196

City of Ridgecrest
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds	<u>\$ 11,978,028</u>
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Capital assets, nondepreciable	5,737,957
Capital assets, depreciable	<u>48,103,676</u>
	<u>53,841,633</u>
Net OPEB asset resulting from making OPEB contributions in excess of annual required OPEB contributions.	<u>68,851</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences - due within one year	(880,620)
Compensated absences - due in more than one year	(1,361,524)
Long-term debt - due within one year	(510,000)
Long-term debt - due in more than one year	<u>(4,930,000)</u>
	<u>(7,682,144)</u>
Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	<u>(14,953,395)</u>
Actuarially determined pension deferred outflows of resources are reported in the government-wide statements:	
Pension contributions made after the measurement date	1,529,490
Difference between projected and actual earnings on pension plan investments	2,458,153
Difference between expected and actual experience	17,298
Difference between employer contributions and proportionate share of contributions	127,118
Deferred change in pension plan proportion	<u>327,694</u>
	<u>4,459,753</u>
Actuarially determined pension deferred inflows of resources are reported in the government-wide statements:	
Difference between expected and actual experience	(63,174)
Changes in actuarial assumptions	(487,736)
Difference between employer contributions and proportionate share of contributions	(99,500)
Deferred change in pension plan proportion	<u>(164,503)</u>
	<u>(814,913)</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.	<u>(80,117)</u>
Unavailable revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	<u>234,239</u>
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were reported with governmental activities.	<u>(161,069)</u>
Net Position of Governmental Activities	<u><u>\$ 46,890,866</u></u>

City of Ridgecrest
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	City Debt Service Fund	Capital Improvements Capital Projects Fund	Other Governmental Funds	
REVENUES:					
Taxes	\$ 10,935,252	\$ -	\$ -	\$ 574,976	\$ 11,510,228
Intergovernmental	201,972	-	1,347,856	1,415,465	2,965,293
License and permits	441,098	-	-	355,126	796,224
Fines and forfeitures	70,153	-	-	-	70,153
Assessment levied	-	-	-	32,068	32,068
Use of money and property	217,239	829	2,140	51,308	271,516
Charges for services	548,420	-	-	-	548,420
Other revenues	139,862	-	28,289	72,932	241,083
Total revenues	12,553,996	829	1,378,285	2,501,875	16,434,985
EXPENDITURES:					
Current:					
General government	1,857,795	1,500	-	-	1,859,295
Public safety	6,559,324	-	-	3,097	6,562,421
Public works	357,941	-	-	1,116,041	1,473,982
Community development	913,914	-	-	9,019	922,933
Health	34,707	-	-	-	34,707
Culture and leisure	1,591,654	-	-	-	1,591,654
Capital outlay	299,964	-	7,188,057	-	7,488,021
Debt service:					
Principal	-	485,000	-	-	485,000
Interest and fiscal charges	-	262,216	-	-	262,216
Total expenditures	11,615,299	748,716	7,188,057	1,128,157	20,680,229
REVENUES OVER (UNDER) EXPENDITURES	938,697	(747,887)	(5,809,772)	1,373,718	(4,245,244)
OTHER FINANCING SOURCES (USES):					
Transfers In	1,210,222	-	978,177	1,141,360	3,329,759
Transfers Out	(1,624,478)	-	-	(2,087,584)	(3,712,062)
Transfers from Successor Agency	250,000	263,716	4,571,436	-	5,085,152
Total other financing sources (uses)	(164,256)	263,716	5,549,613	(946,224)	4,702,849
Net changes in fund balances	774,441	(484,171)	(260,159)	427,494	457,605
FUND BALANCES:					
Beginning of year	700,607	5,865,518	600,310	4,353,988	11,520,423
End of year	<u>\$ 1,475,048</u>	<u>\$ 5,381,347</u>	<u>\$ 340,151</u>	<u>\$ 4,781,482</u>	<u>\$ 11,978,028</u>

City of Ridgecrest
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	457,605
Governmental funds report capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenue, Expenditures, and Changes in Fund Balances through out various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		7,488,021
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds		(3,310,572)
The repayment of debt principal consumes the current financial resources of governmental funds; however, it has no effect on net position.		485,000
The net effect of various miscellaneous transactions involving pension plans (i.e. changes in the net pension liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		205,215
Certain long-term assets and liabilities were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, long-term assets and liabilities were not reported as expenditures in governmental funds. These amounts represented the changes in long-term liabilities from prior year.		
Changes in compensated absences		9,962
Changes in net OPEB asset		31
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from the prior year.		6,628
Unavailable revenues were reported as deferred inflows of resources in the Governmental Funds but were reported as revenues in the Government-Wide Statement of Statement of Activities.		(8,232)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds was reported with governmental activities.		385,131
Change in Net Position of Governmental Activities	\$	<u>5,718,789</u>

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Proprietary Fund Financial Statements



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds		Total	Governmental Activities - Internal Service Funds
	T.D.A. Transit	Wastewater Improvement		
ASSETS				
Current assets:				
Cash and investments	\$ 342,882	\$ 19,164,630	\$ 19,507,512	\$ 1,647,679
Receivables:				
Accounts	149,853	107,767	257,620	-
Taxes	-	-	-	3,208
Interest	501	41,333	41,834	-
Inventories	-	-	-	18,607
Total current assets	<u>493,236</u>	<u>19,313,730</u>	<u>19,806,966</u>	<u>1,669,494</u>
Noncurrent assets:				
Advances to other funds	-	3,585,082	3,585,082	-
Due from Fiduciary	-	2,504,615	2,504,615	-
Capital assets:				
Non-depreciable	-	3,918,688	3,918,688	-
Depreciable	1,291,730	24,930,860	26,222,590	412,893
Less: accumulated depreciation	<u>(923,045)</u>	<u>(12,508,133)</u>	<u>(13,431,178)</u>	<u>(412,893)</u>
Total capital assets	<u>368,685</u>	<u>16,341,415</u>	<u>16,710,100</u>	<u>-</u>
Total noncurrent assets	<u>368,685</u>	<u>22,431,112</u>	<u>22,799,797</u>	<u>-</u>
Total assets	<u>861,921</u>	<u>41,744,842</u>	<u>42,606,763</u>	<u>1,669,494</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows	<u>275,932</u>	<u>358,712</u>	<u>634,644</u>	<u>-</u>
Total deferred outflows of resources	<u>275,932</u>	<u>358,712</u>	<u>634,644</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,579	248,072	252,651	44,465
Salaries payable	12,337	16,113	28,450	2,011
Other payroll deductions payable	-	-	-	53,096
Unearned revenue	4,721	-	4,721	-
Claims payable - due within one year	-	-	-	519,599
Total current liabilities	<u>21,637</u>	<u>264,185</u>	<u>285,822</u>	<u>619,171</u>
Noncurrent liabilities:				
Net pension liability - due in more than one year	968,418	1,258,943	2,227,361	-
Claims payable - due in more than one year	-	-	-	1,211,392
Total noncurrent liabilities	<u>968,418</u>	<u>1,258,943</u>	<u>2,227,361</u>	<u>1,211,392</u>
Total liabilities	<u>990,055</u>	<u>1,523,128</u>	<u>2,513,183</u>	<u>1,830,563</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	<u>40,493</u>	<u>52,637</u>	<u>93,130</u>	<u>-</u>
Total deferred inflows of resources	<u>40,493</u>	<u>52,637</u>	<u>93,130</u>	<u>-</u>
NET POSITION				
Net Investment in capital assets	368,685	16,341,415	16,710,100	-
Unrestricted (deficit)	<u>(261,380)</u>	<u>24,186,374</u>	<u>23,924,994</u>	<u>(161,069)</u>
Total net position	<u>\$ 107,305</u>	<u>\$ 40,527,789</u>	<u>\$ 40,635,094</u>	<u>\$ (161,069)</u>

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Comprehensive Annual Financial Report
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City of Ridgecrest
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	T.D.A. Transit	Wastewater Improvement	Total	
OPERATING REVENUES:				
Charges for services	\$ 309,271	\$ 6,084,876	\$ 6,394,147	\$ 747,413
Other revenue	-	11,638	11,638	456,272
Total operating revenues	<u>309,271</u>	<u>6,096,514</u>	<u>6,405,785</u>	<u>1,203,685</u>
OPERATING EXPENSES:				
Transportation	735,734	-	735,734	-
Health	-	1,189,568	1,189,568	-
Administration	-	-	-	1,899,130
Depreciation	113,523	410,164	523,687	-
Total operating expenses	<u>849,257</u>	<u>1,599,732</u>	<u>2,448,989</u>	<u>1,899,130</u>
OPERATING INCOME (LOSS)	<u>(539,986)</u>	<u>4,496,782</u>	<u>3,956,796</u>	<u>(695,445)</u>
NONOPERATING REVENUES:				
Taxes	618,970	-	618,970	-
Intergovernmental	196,112	255,786	451,898	-
Use of money and property	2,856	144,149	147,005	8,021
Total nonoperating revenues	<u>817,938</u>	<u>399,935</u>	<u>1,217,873</u>	<u>8,021</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>277,952</u>	<u>4,896,717</u>	<u>5,174,669</u>	<u>(687,424)</u>
TRANSFERS:				
Transfers in	60,000	-	60,000	1,852,797
Transfers out	(236,772)	(513,480)	(750,252)	(780,242)
Total transfers	<u>(176,772)</u>	<u>(513,480)</u>	<u>(690,252)</u>	<u>1,072,555</u>
Changes in net position	101,180	4,383,237	4,484,417	385,131
NET POSITION:				
Beginning of year	6,125	36,144,552	36,150,677	(546,200)
End of year	<u>\$ 107,305</u>	<u>\$ 40,527,789</u>	<u>\$ 40,635,094</u>	<u>\$ (161,069)</u>

City of Ridgecrest
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	T.D.A. Transit	Wastewater Improvement	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 52,981	\$ 6,051,465	\$ 6,104,446	\$ 757,285
Payments to suppliers or employees for goods and services	(799,136)	(1,163,636)	(1,962,772)	(1,136,718)
Insurance premiums and settlements or insurance recovery	-	-	-	(493,433)
Others	-	11,638	11,638	456,272
Net cash provided by (used in) operating activities	(746,155)	4,899,467	4,153,312	(416,594)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Taxes	618,970	-	618,970	-
Intergovernmental	196,112	255,786	451,898	-
Transfers in	60,000	-	60,000	1,852,797
Transfers out	(236,772)	(513,480)	(750,252)	(780,242)
Net cash provided by (used in) noncapital financing activities	638,310	(257,694)	380,616	1,072,555
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(202,113)	(2,396,446)	(2,598,559)	-
Cash received from repayment of advances	-	134,313	134,313	-
Net cash (used in) capital and related financing activities	(202,113)	(2,262,133)	(2,464,246)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	3,254	123,376	126,630	5,646
Net cash provided by investing activities	3,254	123,376	126,630	5,646
Net change in cash and cash equivalents	(306,704)	2,503,016	2,196,312	661,607
CASH AND CASH EQUIVALENTS:				
Beginning of year	649,586	16,661,614	17,311,200	986,072
End of year	\$ 342,882	\$ 19,164,630	\$ 19,507,512	\$ 1,647,679

City of Ridgecrest
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		Total	Governmental Activities - Internal Service Funds
	T.D.A. Transit	Wastewater Improvement		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (539,986)	\$ 4,496,782	\$ 3,956,796	\$ (695,445)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	113,523	410,164	523,687	-
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(59,609)	(33,411)	(93,020)	9,872
Inventories	-	-	-	(3,173)
Pension related deferred outflows	(122,683)	(149,736)	(272,419)	-
Accounts payable	3,918	167,465	171,383	6,044
Salaries payable	1,856	(553)	1,303	(941)
Claims payable	-	-	-	234,716
Unearned revenue	(196,681)	-	(196,681)	-
Net pension liability	95,186	68,172	163,358	32,333
Pension related deferred inflows	(41,679)	(59,416)	(101,095)	-
Total adjustments	<u>(206,169)</u>	<u>402,685</u>	<u>196,516</u>	<u>278,851</u>
Net cash provided by (used in) operating activities	<u>\$ (746,155)</u>	<u>\$ 4,899,467</u>	<u>\$ 4,153,312</u>	<u>\$ (416,594)</u>

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Comprehensive Annual Financial Report
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Fiduciary Fund Financial Statements



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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments	\$ 7,923,976	\$ 455,489
Cash and investments with fiscal agents	2,769,850	-
Interest receivable	18,152	1,048
Loans receivable	3,050,978	-
Capital assets:		
Non-depreciable	2,202,440	-
Depreciable, net	1,665,244	-
Total assets	17,630,640	\$ 456,537
LIABILITIES		
Due to bondholders	-	\$ 400,192
Accounts payable	12,114	-
Deposits payable	2,000	-
Unearned revenue	3,066	-
Due to City	7,133,774	56,345
Bonds payable	26,342,593	-
Total liabilities	33,493,547	\$ 456,537
NET POSITION		
Net Position (Deficit):		
Held in trust for Successor Agency to Ridgecrest Redevelopment Agency	(15,863,942)	
Held in trust for Donation	1,035	
Total net position (deficit)	\$ (15,862,907)	

City of Ridgecrest
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Taxes	\$ 3,815,447
Revenue from use of money and property	73,403
Other revenue	<u>202,795</u>
Total additions	<u>4,091,645</u>
DEDUCTIONS:	
Community development	31,555
Depreciation expense	197,137
Interest expense	1,685,388
Transfers to City of Ridgecrest (Note 6)	<u>5,085,152</u>
Total deductions	<u>6,999,232</u>
Change in fiduciary net position	(2,907,587)
NET POSITION (DEFICIT):	
Beginning of year	<u>(12,955,320)</u>
End of year	<u><u>\$ (15,862,907)</u></u>

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Notes to the Basic Financial Statements



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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
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City of Ridgecrest
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City of Ridgecrest
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Ridgecrest, California (the “City”), have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. 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 City’s accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units

Although the following are legally separate from the City, they have been “blended” as though they are part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

Ridgecrest Housing Authority (the “Housing Authority”) – The Housing Authority was formed on January 11, 2012 to develop or acquire and subsequently operate rental housing projects within the City. The members of the City Council act as the governing board of the Housing Authority and the Housing Authority provides services entirely to the City. The activities of the Housing Authority are included in the special revenue fund. The Housing Authority does not issue separate financial statements.

B. Basis of Accounting and Measurement Focus

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

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government–Wide Financial Statements

The City’s government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

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

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the statement of activities, internal service fund transactions have been eliminated.) However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- 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 and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

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 fund balances. 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.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Revenues are recognized as soon as they are both “measurable” and “available”. Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences.

Governmental funds of the City are outlined below:

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

City Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the debt.

Capital Improvement Capital Projects Fund – This fund is used to account for financial resources to be used for acquisition, construction and improvement of the city's major capital facilities.

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

Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for each major proprietary fund.

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

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. 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. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

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

Proprietary funds of the City are outlined below:

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

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

Internal Service Funds – The City has three internal service funds. Human Resources and Risk Management Fund is used to account for the costs of the City’s risk management and self-insurance programs and its personnel management costs. The Self Insurance Workers Comp Fund is used to account for the actual payments made to the third party administrator for all workers comp claims filed against the City. Lastly, the Fleet Maintenance Fund is used to account for the cost of maintenance of the motor vehicles, heavy and light equipment and equipment replacements.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. The City has two types of fiduciary funds. They are the private purpose trust funds and agency funds.

The private purpose trust funds account for 1) donations received and held by the City as an agent for individuals, developers, private organizations and other governmental agencies and 2) activities of the Successor Agency to the Ridgecrest Redevelopment Agency (the “Successor Agency”). The specific purposes for these donations are for parks and recreation and senior citizens related programs.

The agency funds account for collections received from special assessment districts and their disbursement to bondholders. The agency fund is custodial in nature and does not involve measurement of results of operations. Spending of agency fund resources is controlled primarily through legal agreements and applicable State and Federal laws. Both private purpose trust funds and agency funds are reported using the accrual basis of accounting.

C. Cash, Cash Equivalents and Investment

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

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investment (Continued)

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City 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.

The City participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

D. Restricted Cash and Investments

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

E. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization threshold for reporting infrastructure at \$100,000; all other capital assets are set at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and improvements	15-50 years
Machinery and Equipment	5-20 years
Infrastructure	15-50 years

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

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

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial 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 expensed in the period when incurred.

Fund Financial Statements

The fund financial statements do not present long-term debt but rather show it in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

G. Compensated Absences

Government-Wide Financial Statements

City employees have vested interest in varying levels of vacation and sick leave based on their length of employment and bargaining unit they belong. Vacation leave is payable to employees at the time a vacation is taken or upon termination of employment. Vacation leave cannot be accrued for more than twice the employee's annual accrual rate. Sick leave is payable only when an employee is unable to work due to personal or family illness or at separation from employment at different levels depending on the length of employment and the bargaining group. There is no cap on the amount of sick leave that can be accrued but there is a cap on the amount that can be cashed out at termination. Employees with less than five years of employment do not have vested privilege on sick leave and their sick leave is forfeited upon termination. The amount of compensated absences is accrued when incurred in the government-wide financial statements.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. When an employee is terminated at fiscal year end, the amount of his or her reimbursable unused vacation and/or sick leave is recorded as a liability in the governmental funds. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Pensions (Continued)

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

I. Property Taxes

Property taxes are levied on January 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is March 1. The County of Kern, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes as revenues at June 30 available taxes or those collected within 90 days.

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

J. Net Position

For government-wide and proprietary fund financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Fund Balances

For governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government’s highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. On June 1, 2011, the City Council adopted Resolution 11-36 adopting the fund balance policy authorizing the Finance Director to make the determination.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes, it may be necessary to report negative unassigned fund balance in that particular fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City’s policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

L. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

N. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017

GASB Statement No. 77, Tax Abatement Disclosures – This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans - This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 – This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension – This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. The City has implemented GASB No. 74 which is reflected on the City’s financial statements. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 81, Irrevocable Split-Interest Agreements – This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 – This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 83, Certain Asset Retirement Obligations – This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City’s fiscal year ending June 30, 2019.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 84, Fiduciary Activities – This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

GASB Statement No. 85, Omnibus 2017 – This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues – This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 87, Leases – This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2017:

	Primary Government				
	Governmental Activities	Business-type Activities	Total		
Cash and investments	\$ 11,117,270	\$ 19,507,512	\$ 30,624,782	\$ 8,379,465	\$ 39,004,247
Cash and investments with fiscal agent	752,188	-	752,188	2,769,850	3,522,038
Total	\$ 11,869,458	\$ 19,507,512	\$ 31,376,970	\$ 11,149,315	\$ 42,526,285

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

Cash, cash equivalents, and investments, consisted of the following at June 30, 2017:

Cash and cash equivalents:	
Petty cash	\$ 1,720
Demand deposits	2,955,605
Investments:	
Local Agency Investment Fund	36,046,922
Money market funds	2,769,850
U.S. Agencies	752,188
Total	\$ 42,526,285

At June 30, 2017, cash and investments, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017:

Investment Type	Total as of June 30, 2017	Measurement Inputs	Valuation Technique
Investments:			
Local Agency Investment Fund	\$ 36,046,922	Uncategorized	N/A
Money market funds	2,769,850	Uncategorized	N/A
U.S. Agencies	752,188	Level 2	matrix pricing model
Total	\$ 39,568,960		

A. Cash Deposits

The carrying amounts of the City’s demand deposits were \$2,955,605 at June 30, 2017. Bank balances were \$3,049,057 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name is discussed below.

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

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits; however, the City has not waived the collateralization requirements.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

B. Investments

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

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

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. The fair value of the City's position in LAIF approximates the value of the pool shares.

C. External Investment Pool

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2017 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are 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 pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2017, the City had \$36,008,727 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Back 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. The City valued its investments in LAIF as of June 30, 2017 using the Net Asset Value. The value of the City's position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2017.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs.

As of June 30, 2017, the City had the following investments and maturities:

	Amount	Maturities
		1 year or less
Investments:		
Local Agency Investment Fund	\$ 36,046,922	\$ 36,046,922
Money market funds	2,769,850	2,769,850
U.S. Agencies	752,188	752,188
Total	\$ 39,568,960	\$ 39,568,960

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.

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
Investments:			
Local Agency Investment Fund	\$ 36,046,922	Not Rated	Not Rated
Money market funds	2,769,850	Not Rated	Not Rated
U.S. Agencies	752,188	Not Rated	Not Rated
Total	\$ 39,568,960		

Custodial Credit Risk

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

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. City investments that are greater than 5 percent of the total investments are in either an external investment pool or mutual funds and are therefore exempt.

Investment Type	Total as of June 30, 2017	Percentage of Investments
Investments:		
Local Agency Investment Fund	\$ 36,046,922	91.10%
Money market funds	2,769,850	7.00%
U.S. Agencies	752,188	1.90%
Total	\$ 39,568,960	

Note 3 – Loan Program

A. Governmental Activities

For the year ended June 30, 2017, changes in loans receivable of the City’s loan program is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Loans receivables:				
High Desert loans	\$ 242,471	\$ -	\$ (8,232)	\$ 234,239
Total	\$ 242,471	\$ -	\$ (8,232)	\$ 234,239

High Desert Loans

The City entered into a loan agreement with High Desert Haven in the amount of \$375,000 on October 5, 2001. The purpose of the loan was for the construction and operation of twenty-six unit senior assisted housing. The loan is to be paid over thirty years and bears interest of the 3% compounded annually. As of June 30, 2017, the loan balance is \$234,239.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Loan Program (Continued)

B. Fiduciary Fund Financial Statements

For the year ended June 30, 2017, changes in loans receivable of the Fiduciary’s loan program is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Loans receivables:				
AMG Ridgecrest Pacific				
Associates	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Globe Project	50,978	-	-	50,978
Total	<u>\$ 3,050,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,050,978</u>

AMG Ridgecrest Pacific Associates

The Ridgecrest Redevelopment Agency (RRA) prior to its dissolution gave Ridgecrest Pacific Associates a development loan in the amount of \$3 million to build the Ridgecrest Senior Apartments, a 32-unit apartment complex on 4.6 acres of land located at southwest corner of Downs Street and Church Avenue. The payment term for this loan is fifty five (55) years from the date of the promissory note and shall bear simple interest at the rate of four percent (4%) per annum. The payment due and payable is equal to sixty percent (60%) of the Residual Receipts until all principal and interest owing under the Promissory Note has been paid in full. In addition, and as further consideration for the loan, Ridgecrest Pacific shall pay to the agency after repayment of the principal and interest, 20% of Cash Flow from operation of the Project. Payments towards the loan shall be applied first to costs and fees owing under the promissory note, then to accrued interest, and finally to any principal owing under the promissory note.

Globe Project

The Globe Project loan was to purchase the first deed of trust owned by Mojave Desert Bank on a Globe Project property that the Ridgecrest Redevelopment Agency has a second deed of trust. Globe Project is in delinquent status and Mojave Desert Bank was about to foreclose the property. In order to protect its investment on this property, RRA loaned Globe Protect and purchased the first deed of trust for \$50,978. The payment term for this loan is seven (7) years at 3% per annum. This loan is currently in default but is secured by a property located at 2559 N. EL Prado, Ridgecrest, CA. However, the property is currently in probate.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Interfund Balances and Transactions

A. Long-Term Advances

At June 30, 2017, the balances of long-term advances were as follows:

	Advances to other funds
	Enterprise Fund
	Wastewater
	Improvement
Advances from other funds	
General Fund	\$ 3,585,082

In 2013, the General Fund entered into loan agreement with Wastewater Improvement Enterprise Fund in the amount of \$4,250,000. The loan is to be repaid over 30 years at 0.5% interest rate per year. This loan is for paying back the franchise fees the Wastewater Fund had paid General Fund from fiscal years ended June 30, 2006 through 2012. At June 30, 2017, the outstanding balance of the agreement was \$3,585,082.

The annual requirements to amortize the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 134,985	\$ 17,925	\$ 152,910
2019	135,660	17,250	152,910
2020	136,338	16,572	152,910
2021	137,020	15,890	152,910
2022	137,705	15,205	152,910
2023-2027	698,922	65,630	764,552
2028-2032	716,571	47,981	764,552
2033-2037	734,665	29,887	764,552
2038-2042	753,216	11,336	764,552
Total	\$ 3,585,082	\$ 237,676	\$ 3,822,758

B. Transfers

At June 30, 2017, the City had the following transfers:

		Transfers Out					
		General Fund	Non-major Governmental Funds	TDA Transit Enterprise Fund	Wastewater Improvement Enterprise Funds	Internal Service Funds	Total
Transfers In	General Fund	\$ -	\$ 506,663	\$ 152,710	\$ 334,907	\$ 215,942	\$ 1,210,222
	Capital Improvements	114,759	860,781	2,637	-	-	978,177
	Non-major						
	Governmental Funds	610,595	530,765	-	-	-	1,141,360
	Transit Enterprise Fund	60,000	-	-	-	-	60,000
	Internal Service Funds	839,124	189,375	81,425	178,573	564,300	1,852,797
	Total	\$ 1,624,478	\$ 2,087,584	\$ 236,772	\$ 513,480	\$ 780,242	\$ 5,242,556

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Interfund Balances and Transactions (Continued)

B. Transfers (Continued)

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

Additional details regarding transfers in and out are as follows:

The transfers from General Fund to the following funds and its purposes are as follows: 1) 114,759 to Capital Improvement Fund for the Measure L funding of the City's local match on grant funded capital projects. 2) \$610,595 to Gas Tax Fund for the Measure L funding of the street maintenance. 3) \$60,000 to Transit Fund for the Measure L funding of the local match of the cost of running the transit service. 4) \$839,124 to Internal Service Fund for insurance allocation.

The transfers from Non-major governmental funds to the following funds and its purposes are as follows: 1) \$171,498 to General Fund from Supplemental Law Enforcement Service Fund \$129,832 for public safety and the balance of \$41,666 coming from Park Development Impact Fee Fund for the funding of the repair of the well. 2) \$530,765 to Gas Tax Fund from TDA Streets and Roads Fund \$523,867 for street maintenance and the balance of \$6,898 coming from the Traffic Congestion Relief Fund for street maintenance; 3) \$860,781 to Capital Improvements Fund from Grant Operations Fund \$858,812 for grant related capital projects and the balance coming from Traffic Impact Fees \$1,969 for street capital projects. 4) Gas Tax Fund transferred \$335,165 to the General Fund for overhead allocations and \$189,375 to Internal Service Fund for insurance allocation.

Transit Enterprise Fund transferred \$152,710 to General Fund for administrative overhead allocation, \$2,637 to Capital Improvement fund for the Prop 1B grant funding of the electronic door lock for the new garage facility and \$81,425 to Internal Service Fund for insurance allocation.

Wastewater Enterprise Fund transferred \$334,907 to General Fund for administrative overhead allocation and \$178,573 to Internal Service Fund for insurance allocation.

Internal Service Funds transfer to General Fund of \$215,942 was for administrative overhead allocation. While the transfer of \$564,300 is consisted of \$519,599 to Self-Insurance Workers Compensation Fund for the payments of claims and settlements for the year and the balance of \$44,701 from the Fleet Maintenance ISF fund for insurance allocation.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Due from Fiduciary

At June 30, 2017, the City had an outstanding loan from Fiduciary Fund in the amount of \$7,190,119.

On November 1, 2005, the City and the Agency have entered into a reimbursement agreement, pursuant to which the Agency has agreed to reimburse the City for all Lease payments. The Agency’s reimbursement obligation is secured by a pledge of certain tax increment revenues arising in the Agency’s Ridgecrest Redevelopment Project. Certain outstanding and future bonds of the Agency have or may have a claim on tax increment revenues that is senior to the Agency’s reimbursement obligation under the Reimbursement Agreement. On February 1, 2012, the outstanding balance was transferred to the Successor Agency due to the dissolution of the Agency. At June 30, 2017, the outstanding balance of the agreement was \$4,629,159. Payment of the loan is done annually. It is reduced by the principal portion of the lease payment of the dissolved Agency towards the 2005 Refunding Certificates of Participation.

On June 16, 2010, per resolution 10-49, the City Council and Agency Board approved the funding of the construction of the Ridgecrest Photovoltaic Solar Energy Production Field. The field is located at 125 South Warner St., also known as the Helmer's Park. This 495.9 kW DC Solar Photovoltaic System is designed to produce 90% of the Civic Center's current annual electrical power consumption and decrease the Center's energy bill by more than \$136,000 annually. The resolution also authorized the Agency to borrow money from the Wastewater Improvement Fund to finance the construction cost of the solar field which amounted to \$3,123,000, to be paid in 5 years at the interest rate of 1/2% per annum. On February 1, 2012, the outstanding balance was transferred to the Successor Agency due to the dissolution of the Agency. At June 30, 2017, the outstanding balance of the agreement was \$2,504,615. Department of Finance finally approved this loan as enforceable obligation of the Agency. However, there is not enough residual tax increment to pay the loan. Based on Health and Safety Code section 34191.4 (b) (2) that mandates on how this type of loan is paid, the City is not expecting repayment to happen until all bond obligations are paid in 2037.

During fiscal year ended June 30, the City loaned funds to three assessment districts that are reported as Agency Funds to cover their temporary cash shortfalls in order to make bond payments. At June 30, 2017, the outstanding balance of the loans was \$56,345. The City anticipates writing of the balance of the loan if not repaid during the year ending June 30, 2018.

Note 6 – Transfers from Fiduciary Fund

At June 30, 2017, the City had the following transfers from Fiduciary Funds:

		Transfers to City			
		General Fund	City Debt Service Fund	Capital Improvements Capital Projects Fund	Total
Transfers from Fiduciary Fund	Private Purpose Trust Funds				
	RDA Obligation Retirement	\$ 250,000	\$ 263,716	\$ 4,571,436	\$ 5,085,152
	Total	\$ 250,000	\$ 263,716	\$ 4,571,436	\$ 5,085,152

During the year ended June 30, 2017, the Successor Agency made the following transfers: 1) \$250,000 to the City’s General Fund for the administrative allowance due to the dissolution of the Redevelopment Agency; 2) \$263,716 to the City’s Debt Service Fund for the payment of the interest of the 2005 COP bond; and 3) \$4,571,436 of the 2010 Tax Allocation Bond proceeds was also transferred to Capital Projects Fund was for the funding of various capital projects.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Reclassifications	Balance June 30, 2017
Nondepreciable assets:					
Land	\$ 2,425,599	\$ -	\$ -	\$ -	\$ 2,425,599
Construction in progress	3,325,887	7,253,453	-	(7,266,982)	3,312,358
Total nondepreciable assets	5,751,486	7,253,453	-	(7,266,982)	5,737,957
Depreciable assets					
Building and improvements	6,648,254	46,236	-	3,026,328	9,720,818
Machinery and equipment	7,001,812	188,332	-	-	7,190,144
Infrastructure	119,260,132	-	-	4,240,654	123,500,786
Subtotal	132,910,198	234,568	-	7,266,982	140,411,748
Less accumulated depreciation					
Building and improvements	(2,444,703)	(284,538)	-	-	(2,729,241)
Machinery and equipment	(6,155,148)	(406,828)	-	-	(6,561,976)
Infrastructure	(80,397,649)	(2,619,206)	-	-	(83,016,855)
Subtotal	(88,997,500)	(3,310,572)	-	-	(92,308,072)
Total depreciable assets, net	43,912,698	(3,076,004)	-	7,266,982	48,103,676
Total	\$ 49,664,184	\$ 4,177,449	\$ -	\$ -	\$ 53,841,633

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2017 are as follows:

General government	\$ 191,368
Public safety	224,481
Public works	2,667,514
Community development	105,922
Culture and leisure	121,287
Total depreciation expense	\$ 3,310,572

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable assets:				
Land	\$ 1,614,217	\$ -	\$ -	\$ 1,614,217
Construction in progress	2,423	2,302,048	-	2,304,471
Total nondepreciable assets	1,616,640	2,302,048	-	3,918,688
Depreciable assets				
Building and improvements	3,305,880	31,327	-	3,337,207
Machinery and equipment	3,742,598	265,184	-	4,007,782
Infrastructure	18,877,601	-	-	18,877,601
Subtotal	25,926,079	296,511	-	26,222,590
Less accumulated depreciation				
Building and improvements	(1,386,396)	(61,544)	-	(1,447,940)
Machinery and equipment	(3,124,128)	(213,484)	-	(3,337,612)
Infrastructure	(8,396,967)	(248,659)	-	(8,645,626)
Subtotal	(12,907,491)	(523,687)	-	(13,431,178)
Total depreciable assets, net	13,018,588	(227,176)	-	12,791,412
Total	\$ 14,635,228	\$ 2,074,872	\$ -	\$ 16,710,100

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2017 are as follows:

T.D.A. Transit	\$ 113,523
Wastewater Improvement	410,164
Total depreciation expense	\$ 523,687

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Capital Assets (Continued)

C. Fiduciary Funds

Summary of changes in capital assets for fiduciary activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable assets:				
Land	\$ 2,202,440	\$ -	\$ -	\$ 2,202,440
Total nondepreciable assets	2,202,440	-	-	2,202,440
Depreciable assets				
Building and improvements	12,092,609	-	-	12,092,609
Subtotal	12,092,609	-	-	12,092,609
Less accumulated depreciation				
Building and improvements	(10,230,228)	(197,137)	-	(10,427,365)
Subtotal	(10,230,228)	(197,137)	-	(10,427,365)
Total depreciable assets, net	1,862,381	(197,137)	-	1,665,244
Total	\$ 4,064,821	\$ (197,137)	\$ -	\$ 3,867,684

Note 8 – Long-term Obligations

A. Governmental Activities

Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Classification	
					Due within One Year	Due in more than One Year
Governmental Activities:						
2005 Refunding Certificates of Participation	\$ 5,925,000	\$ -	\$ (485,000)	\$ 5,440,000	\$ 510,000	\$ 4,930,000
Compensated absences	2,252,106	870,658	(880,620)	2,242,144	880,620	1,361,524
Total governmental activities	\$ 8,177,106	\$ 870,658	\$ (1,365,620)	\$ 7,682,144	\$ 1,390,620	\$ 6,291,524

2005 Refunding Certificates of Participation

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

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

2005 Refunding Certificates of Participation (Continued)

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

The annual debt service requirements are as follows:

Year Ending				
June 30,	Principal	Interest	Total	
2018	\$ 510,000	\$ 240,351	\$ 750,351	
2019	525,000	218,931	743,931	
2020	555,000	184,216	739,216	
2021	575,000	86,037	661,037	
2022	600,000	76,388	676,388	
2023-2026	2,675,000	383,737	3,058,737	
TOTAL	<u>\$ 5,440,000</u>	<u>\$ 1,189,661</u>	<u>\$ 6,629,661</u>	

Compensated Absences

Compensated absences at June 30, 2017, amounted to \$2,242,144. Typically, the Self-Insurance Fund (Internal Service Fund) has been used to liquidate the liability for compensated absences. There is no fixed payment schedule for compensated absences.

B. Fiduciary Funds

Summary of changes in long-term liabilities for the fiduciary funds for the year ended June 30, 2017 is as follows:

	Balance	Balance	Classification	
			July 1, 2016	June 30, 2017
	July 1, 2016	June 30, 2017	One Year	than One Year
Fiduciary Funds:				
Tax Allocation Bonds	\$ 27,935,000	\$ 26,880,000	\$ 1,050,000	\$ 25,830,000
Less: Bond discount	(564,277)	(537,407)	-	(537,407)
Total fiduciary activities	<u>\$ 27,370,723</u>	<u>\$ 26,342,593</u>	<u>\$ 1,050,000</u>	<u>\$ 25,292,593</u>

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-term Obligations (Continued)

B. Fiduciary Funds (Continued)

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 current refunding fully refunded the 1999 Tax Allocation Bonds and the 1999 Tax Allocation Bonds were removed from the Agency's long-term debt in 2011. There was an economic gain in the amount of \$59,787 as a result of the current refunding.

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%), are 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. Bonds and related deferred cost of issuance and bond discount outstanding at January 31, 2012 were \$33,375,000, \$247,999 and \$683,042, respectively, and were transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency. Total principal and interest remaining on the bonds is \$49,993,291 at June 30, 2017 payable through 2037.

The annual requirements to amortize the bonds outstanding at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,050,000	1,605,768	\$ 2,873,011
2019	1,050,000	1,550,643	2,821,393
2020	1,040,000	1,492,893	2,766,268
2021	1,040,000	1,435,693	2,713,518
2022	1,035,000	1,381,613	2,713,518
2023-2027	5,560,000	6,055,869	12,681,608
2028-2032	7,765,000	4,043,106	11,615,869
2033-2037	8,340,000	1,565,344	11,808,106
TOTAL	\$ 26,880,000	\$ 19,130,929	\$ 49,993,291

Note 9 – Risk Management

The City is a member of California State Association of Counties - Excess Insurance Authority (CSAC-EIA). The Authority is comprised of 55 California counties and currently consists of 273 public agencies, which includes municipalities, school districts, special districts and other Joint Powers Authorities (JPA). CSAC-EIA was formed as a Joint Powers Authority in 1979, pursuant to the California Government Code. The purpose of the Authority is to arrange, provide and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The Board of Directors is comprised of 62 members, one representative from each member county and seven members elected by the public entity membership.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Risk Management (Continued)

General Liability Insurance

Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$100,000 and pays 100% of all losses incurred under \$100,000. The City does not share or pay for losses of other cities under \$100,000. Losses of \$100,000 to \$5,000,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$5,000,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$10,000,000. This cost is also prorated on a payroll basis. The City purchased an optional excess coverage which covers up to \$20,000,000 and catastrophic coverage up to \$50,000,000.

Workers' Compensation

Beginning July 1, 2006, the City became fully self-insured with respect to Workers' Compensation. The City has a Self-Insured Retention (SIR) of \$150,000 per claim and additional coverage above its SIR with CSAC Excess Insurance Authority (EIA) to \$5 million per claim; there is an additional \$45 million of reinsurance above CSAC-EIA coverage bringing the total coverage to over \$50 million per claim. The CSAC-EIA is ranked as the second largest public entity risk pool and the largest property and casualty pool in the nation.

The workers' compensation and general liability claims payable of \$1,730,991 reported at June 30, 2017. Of the total claims payable, \$519,599 is due within the next fiscal year. During the past three fiscal (claims) years two claims had exceeded the SIR and the excess insurance coverage kicked in to cover the difference. There have been no significant reductions in pooled or insured liability coverage in the prior year.

Changes in the claims liability amounts were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2014-2015	\$ 1,497,688	\$ 710,621	\$ (947,842)	\$ 1,497,688
2015-2016	1,260,467	900,173	(664,365)	1,496,275
2016-2017	1,496,275	754,315	(519,599)	1,730,991

The latest financial information of the CSAC Excess Insurance Authority for fiscal year ended June 30, 2016, is as follows:

Total assets	\$ 738,658,237
Total deferred outflows	<u>\$ 3,329,112</u>
Total liabilities	<u>\$ 602,870,657</u>
Total deferred inflows	<u>\$ 1,444,075</u>
Total equities	<u>\$ 137,672,617</u>
Total revenues	<u>\$ 787,536,407</u>
Total expenses	<u>\$ 762,270,435</u>
Revenues over expenses	<u>\$ 25,265,972</u>

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System

Summary

Aggregate Net Pension Liability

Aggregate Net pension liability is reported in the accompanying Statements of Net Position as follows:

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 7,456,819	\$ 968,418	\$ 1,258,943	9,684,180
CalPERS Safety Plans	7,496,576	-	-	7,496,576
Total	<u>\$ 14,953,395</u>	<u>\$ 968,418</u>	<u>\$ 1,258,943</u>	<u>\$ 17,180,756</u>

Deferred Outflows of Resources

Deferred outflows of resources are reported in the accompanying Statements of Net Position as follows:

Pension Contributions Made after the Measurement Date

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 674,768	\$ 87,632	\$ 113,922	\$ 876,322
CalPERS Safety Plans	854,722	-	-	854,722
Total	<u>\$ 1,529,490</u>	<u>\$ 87,632</u>	<u>\$ 113,922</u>	<u>\$ 1,731,044</u>

Difference between Projected and Actual Earnings on Pension Plan Investments

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 1,104,921	\$ 143,496	\$ 186,545	\$ 1,434,962
CalPERS Safety Plans	1,353,232	-	-	1,353,232
Total	<u>\$ 2,458,153</u>	<u>\$ 143,496</u>	<u>\$ 186,545</u>	<u>\$ 2,788,194</u>

Positive Adjustments due to Differences in Proportions

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 327,694	\$ 42,558	\$ 55,325	\$ 425,577
CalPERS Safety Plans	-	-	-	-
Total	<u>\$ 327,694</u>	<u>\$ 42,558</u>	<u>\$ 55,325</u>	<u>\$ 425,577</u>

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Summary (Continued)

Deferred Outflows of Resources (Continued)

Differences between Expected and Actual Experience

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 17,298	\$ 2,246	\$ 2,920	\$ 22,464
CalPERS Safety Plans	-	-	-	-
Total	\$ 17,298	\$ 2,246	\$ 2,920	\$ 22,464

Positive Differences between City’s Contribution and Proportionate Share of Contribution

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ -	\$ -	\$ -	\$ -
CalPERS Safety Plans	127,118	-	-	127,118
Total	\$ 127,118	\$ -	\$ -	\$ 127,118

Total Pension-related Deferred Outflows

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 2,124,681	\$ 275,932	\$ 358,712	\$ 2,759,325
CalPERS Safety Plans	2,335,072	-	-	2,335,072
Total	\$ 4,459,753	\$ 275,932	\$ 358,712	\$ 5,094,397

Deferred Inflows of Resources

Deferred inflows of resources are reported in the accompanying Statements of Net Position as follows:

Negative Adjustments due to Differences in Proportions

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ -	\$ -	\$ -	\$ -
CalPERS Safety Plans	164,503	-	-	164,503
Total	\$ 164,503	\$ -	\$ -	\$ 164,503

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Summary (Continued)

Deferred Inflows of Resources (Continued)

Changes in Assumptions

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 212,294	\$ 27,571	\$ 35,842	\$ 275,707
CalPERS Safety Plans	275,442	-	-	275,442
Total	<u>\$ 487,736</u>	<u>\$ 27,571</u>	<u>\$ 35,842</u>	<u>\$ 551,149</u>

Negative Differences between City’s Contribution and Proportionate Share of Contribution

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 99,500	\$ 12,922	\$ 16,795	\$ 129,217
CalPERS Safety Plans	-	-	-	-
Total	<u>\$ 99,500</u>	<u>\$ 12,922</u>	<u>\$ 16,795</u>	<u>\$ 129,217</u>

Differences between Expected and Actual Experience

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ -	\$ -	\$ -	\$ -
CalPERS Safety Plans	63,174	-	-	63,174
Total	<u>\$ 63,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,174</u>

Total Pension-related Deferred Inflows

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 311,794	\$ 40,493	\$ 52,637	\$ 404,924
CalPERS Safety Plans	503,119	-	-	503,119
Total	<u>\$ 814,913</u>	<u>\$ 40,493</u>	<u>\$ 52,637</u>	<u>\$ 908,043</u>

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Summary (Continued)

Pension Expense/(Income)

Pension expense/(income) is included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position as follows:

	Governmental Activities	Business-Type Activities		Total
		Enterprise Funds		
		TDA Transit Fund	Wastewater Fund	
CalPERS Miscellaneous Plans	\$ 703,611	\$ 91,378	\$ 118,792	\$ 913,781
CalPERS Safety Plans	401,887	-	-	401,887
Total	<u>\$ 1,105,498</u>	<u>\$ 91,378</u>	<u>\$ 118,792</u>	<u>\$ 1,315,668</u>

Pension Plans

Plan Description

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Classic, Miscellaneous Classic, Safety PEPRA or Miscellaneous PEPRA cost-sharing multiple employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The Classic Plans are closed to new entrants only eligible for employees hired prior to January 1, 2013. Employees hired after January 1, 2013 are eligible to enroll in the PEPRA plans. Benefit Provisions under the Plans are established by State statutes within the Public Employee’s Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic safety and miscellaneous CalPERS member becomes eligible for Service Retirement upon attainment of age 50 and 55, respectively, with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) safety and miscellaneous members become eligible for service retirement upon attainment of age 57 and 62, respectively, with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 full-time equivalent monthly pay. Retirement benefits for classic safety miscellaneous employees are calculated as 3% and 2.7%, respectively, of the average final 12 months compensation. Retirement benefits for PEPRA safety and miscellaneous employees are calculated as 2.7% and 2%, respectively, of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Benefits Provided (Continued)

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Employees Covered

At June 30, 2016 measurement date, the following employees were covered by the benefit terms for each Plan:

	Active employees	Inactive employees or beneficiaries currently receiving benefits	Inactive employees entitled to but not yet receiving benefits
Miscellaneous Plans	78	108	96
Safety Plans	32	44	28

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date), the active contribution rate was 9% of annual payroll for the Safety Classic Plan, 8% for the Miscellaneous Classic Plan, and 11.50% for the Safety PEPRA Plan, and 6.25%, for Miscellaneous PEPRA Plan. The average employer’s contribution rate was 11.634% of annual payroll for the Miscellaneous Classic Plan, 17.689% for the Safety Classic Plan, 12.082% for the Safety PEPRA Plan, and 6.555% for the Miscellaneous PEPRA Plan.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Contributions (Continued)

For the measurement period ended June 30, 2016, the plan’s proportionate share of aggregate employer contributions made for each Plan was as follows:

	Contributions - employer
Miscellaneous Plans	\$ 815,999
Safety Plans	801,776
Total	\$ 1,617,775

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Plan Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Miscellaneous Plans:			
Balance at: 6/30/15 (Valuation date)	\$ 32,136,170	\$ 24,197,699	\$ 7,938,471
Balance at: 6/30/16(Measurement date)	32,860,520	23,176,340	9,684,180
Net Changes during 2015-2016	724,350	(1,021,359)	1,745,709
Safety Plans:			
Balance at: 6/30/15 (Valuation date)	\$ 25,704,062	\$ 19,646,182	\$ 6,057,880
Balance at: 6/30/16(Measurement date)	27,152,545	19,655,969	7,496,576
Net Changes during 2015-2016	1,448,483	9,787	1,438,696

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).

(3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.

(5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The City’s proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous Plans	Safety Plans	Total
Proportion June 30, 2015	0.28936%	0.14702%	0.43638%
Proportion June 30, 2016	0.27877%	0.14474%	0.42351%
Change - Increase (Decrease)	-0.01059%	-0.00228%	-0.01286%

For the year ended June 30, 2017, the City recognized pension expense in the amounts of \$913,781 and \$401,877, for the Miscellaneous plans and Safety plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension Contributions Made Subsequent to Measurement Date	\$ 876,322	\$ -
Difference between projected and actual earning on pension plan investments	1,434,962	-
Adjustment due to differences in proportions	425,577	-
Changes in assumptions	-	(275,707)
Difference between actual and expected experience	22,464	-
Difference between Employer’s actual contributions and proportionate share of contributions	-	(129,217)
Total	<u>\$ 2,759,325</u>	<u>\$ (404,924)</u>

Safety Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension Contributions Made Subsequent to Measurement Date	\$ 854,722	\$ -
Difference between projected and actual earning on pension plan investments	1,353,232	-
Adjustment due to differences in proportions	-	(164,503)
Changes in assumptions	-	(275,442)
Difference between actual and expected experience	-	(63,174)
Difference between Employer’s actual contributions and proportionate share of contributions	127,118	-
Total	<u>\$ 2,335,072</u>	<u>\$ (503,119)</u>

For the Miscellaneous plans and Safety plans, \$876,322 and \$854,722, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Miscellaneous Plans	Safety Plans
2018	\$ 226,957	\$ (28,881)
2019	221,737	34,878
2020	657,714	618,949
2021	371,671	352,285
2022	-	-
Thereafter	-	-
	<u>\$ 1,478,079</u>	<u>\$ 977,231</u>

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2016 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Discount Rate (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

The long-term expected real rate of return by asset class for the measurement period ended June 30, 2016 was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Private Equity	10.00%	0.99%	2.43%
Global Fixed Income	20.00%	0.45%	3.36%
Liquidity	1.00%	6.83%	6.95%
Real assets	12.00%	4.50%	5.13%
Inflation sensitive assets	6.00%	4.50%	5.09%
Other	0.00%	-0.55%	-1.05%
	100%		

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability for each Plan type, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plans	\$ 14,108,230	\$ 9,684,180	\$ 6,027,923
Safety Plans	11,182,362	7,496,576	4,470,924
	\$ 25,290,592	\$ 17,180,756	\$ 10,498,847

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Note 11 – Other Postemployment Benefits

Plan Description

The City provides \$128 per month subject to the minimum required employer contribution (plus any administration fees) under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. An employee is eligible for this employer contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 60 days of retirement with the City. The surviving spouse of an eligible retiree who elected spouse coverage under the CalPERS Health Plan is eligible for the employer contribution upon the death of the retiree. For calendar year 2018, the required employer contributions under the CalPERS Health plan will be \$133 per month. CalPERS adjusts this amount annually based on an inflation index.

Retired employees who have health coverage outside CALPERS do not get any premium reimbursement from the City with the exception of those who are members of the Police Employees Association of Ridgecrest ("PEAR"). For PEAR members who retired between the dates of March 17, 2005 and August 31, 2011, they are eligible for a reimbursement of up to \$100 per month for non-CalPERS health coverage. For those who retire starting September 1, 2011 and after, that monthly amount goes up to \$250.

Funding Policy

The ARC is calculated in accordance with certain variables which includes the Normal Cost and the component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits (Continued)

Funding Policy (Continued)

On April 2, 2008, the City entered into an agreement with CalPERS to prefund its other post-employment benefits through California Employer’s Retiree Benefit Trust (CERBT) program. The plan is an agent multiple employer plan. It is the City’s funding policy to contribute at least 100% of the annual required contribution as calculated in the actuarial valuation prepared biannually. OPEB benefits are currently paid either directly to the eligible retirees who are not enrolled in the CalPERS Health Benefit program or to CalPERS for those eligible retirees who are enrolled in the CalPERS Health Benefit program. The total amount of these benefits paid may be deducted from the annual required contribution or be reimbursed directly from the trust.

Annual OPEB Cost and Net OPEB Obligation (Asset)

For fiscal year ended June 30, 2017, the City’s annual OPEB cost was \$143,636. The City’s annual required contribution (ARC) was \$143,667. The City paid CalPERS a total of \$37,125 for its share of the retirees’ health insurance premium. The City also paid directly eligible retirees (from PEAR group) that opted to get their health insurance outside of CalPERS and those payments totaled \$18,000. With the City’s direct contribution of \$55,862 to the OPEB trust fund and implicit rate subsidy of \$32,680, the City’s total OPEB contribution for the fiscal year ended June 30, 2017, is \$143,667.

The following table shows the components of the City’s Annual OPEB Cost for the year ended June 30, 2017, the amount actually contributed to the plan, and changes in the City’s Net OPEB obligation (asset):

Annual Required Contribution (ARC)	\$	143,667
Interest on Net OPEB Obligation (Assets) @ 7.28%		(5,010)
Adjustment to ARC		4,979
Annual OPEB Cost		143,636
Contribution Made (ARC Inclusive of Benefit Payments)		(143,667)
(Increase) in Net OPEB Obligation (Assets)		(31)
Net OPEB Obligation (Assets) - Beginning of year		(68,820)
Net OPEB Obligation (Assets) - End of year	\$	(68,851)

Below is the summary of the City’s OPEB cost and net OPEB obligation (asset):

	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage Contribution</u>	<u>Change in Net OPEB Obligation (Asset)</u>	<u>Net OPEB Obligation (Asset) at June 30</u>
2014-2015	\$ 82,018	\$ 82,206	100.2%	\$ (188)	\$ (36,344)
2015-2016	136,849	169,325	123.7%	(32,476)	(68,820)
2016-2017	143,636	143,667	100.0%	(31)	(68,851)

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions

The ARC was determined as part of the June 30, 2015, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.61% investment rate of return (net of administrative expenses), (b) 7.61% discount rate, (c) projected annual salary increases range of 3.0%, (d) inflation rate of 2.8%, (e) CalPERS Assumption Model was used in determining the factor for pre-retirement turnover, pre-retirement mortality, post-retirement mortality and retirement age. Employee currently retired who have elected CalPERS medical coverage are assumed to continue coverage for their lifetime and the lifetime of their spouse if covered. 50% of future non-PEAR active employees are assumed to elect retiree health coverage at retirement. 100% of future PEAR retirees are assumed to elect retiree health coverage at retirement with 50% electing the \$250 reimbursement benefit over the CalPERS benefit. Of those electing coverage approximately 20% are assumed to elect coverage for their spouse. A female spouse is assumed to be 3 years younger than a male spouse. The City’s \$100 monthly benefit is not assumed to increase in future years. On the other hand, the CalPERS minimum required employer contribution is assumed to increase by 4% each year. The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level percentage-of-pay method on a closed-basis. The remaining amortization period at June 30, 2017 is assumed to be 23 years. The 2015 actuarial study did not include an assumption on the health care trend.

Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was 47.63% funded. The actuarial accrued liability for benefits was \$961,858, and the actuarial value of assets was \$449,520, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$512,338. The covered payroll (annual payroll for active employees covered by the plan) was \$5,189,000, and the ratio of the UAAL to the covered payroll was 9.87%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate (estimated annually at between 5% and 7%). Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 12 – Other Required Disclosures

A. Deficit Net Position/Fund Balances

At June 30, 2017, the Governmental Activities on the Statement of Net Position had an unrestricted net position deficit of (\$12,569,000).

At June 30, 2017, the following funds had a fund balances (deficit) or unrestricted net position (deficit), which will be eliminated through the reduction in future expenditures and/or the use of new funding sources:

Fund	Fund Type	Deficit
State Gas Tax Fund	Special Revenue Fund	\$ (75,206)
T.D.A. Transit	Enterprise Fund	(261,380)
Human Resource and Risk Management	Internal Service Fund	(368,748)
RDA Retirement Obligation	Fiduciary Fund	(15,863,942)

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – Classification of Fund Balances

	Major Funds			Other Governmental Funds	Total
	General Fund	City Debt Service Fund	Capital Improvements		
Nonspendable:					
Due from Fiduciary	\$ 56,345	\$ -	\$ -	\$ -	\$ 56,345
Unavailable revenue	-	-	-	234,239	234,239
Total nonspendable	56,345	-	-	234,239	290,584
Restricted:					
Asset seizure	57,122	-	-	-	57,122
Asset Seizure - drug/gang	14,113	-	-	-	14,113
DARE/CHAMPS car donations	2,951	-	-	-	2,951
Proposition 172	215,191	-	-	-	215,191
Spay & neuter donations	91,293	-	-	-	91,293
Freedom park donation	1,430	-	-	-	1,430
Housing	-	-	-	-	-
Debt service	-	5,381,347	-	-	5,381,347
AB 3229	-	-	-	278	278
Proposition 30	97,947	-	-	-	97,947
Grant operations	-	-	-	44,053	44,053
Street construction/maintenance	-	-	-	167,456	167,456
Capital projects	-	-	-	3,795,694	3,795,694
Community partnership	-	-	-	138	138
Total restricted	480,047	5,381,347	-	4,007,619	9,869,013
Committed:					
Park development	-	-	-	16,682	16,682
Substandard street improvement	-	-	-	613,397	613,397
Total committed	-	-	-	630,079	630,079
Assigned:					
Capital improvements	-	-	340,151	-	340,151
Measure L	938,656	-	-	-	938,656
Landscaping & lighting district	-	-	-	59,562	59,562
Business park capital projects	-	-	-	38,231	38,231
Total assigned	938,656	-	340,151	97,793	1,376,600
Unassigned	-	-	-	(188,248)	(188,248)
Total Fund Balances	\$ 1,475,048	\$ 5,381,347	\$ 340,151	\$ 4,781,482	\$ 11,978,028

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Commitments and Contingencies

A. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. The accompanying basic financial statements reflect a liability for the probable amounts of loss associated with these claims.

B. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Required Supplementary Information (Unaudited)



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2017

Note 1 – Budgetary Information

The City maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City maintains an encumbrance accounting system to provide management with information regarding obligations against appropriations. Budgetary compliance is based on expenditures during the period (U.S.GAAP), rather than expenditures and encumbrances (non-GAAP). Because appropriations lapse at June 30, encumbrances outstanding at June 30, 2017 are disclosed in the notes to the financial statements. Appropriations for fiscal year 2017 will provide authority to complete those transactions.

The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the "annual appropriated budget." The City did not adopt a budget for the following funds: Park Development Fee Special Revenue Fund, Business Park Special Revenue Fund, Traffic Congestion Relief Special Revenue Fund, Fire Facilities Improvements Special Revenue Fund, Park Development Impact Fee Special Revenue Fund, Community Partnership Grant Special Revenue Fund, Housing Authority Special Revenue Fund, and Sub-Standard Streets Improvements Capital Projects Fund.

The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budget amounts within any fund during the budget year as long as it does not increase the total budget within the fund. However, any revisions that alter total expenditures of any fund without coinciding revenue increases must be approved by the City Council.

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

City of Ridgecrest
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 9,823,500	\$ 9,923,500	\$ 10,935,252	\$ 1,011,752
Intergovernmental	249,150	275,220	201,972	(73,248)
License and permits	406,600	406,600	441,098	34,498
Fines and forfeitures	59,300	59,300	70,153	10,853
Use of property and money	243,500	243,500	217,239	(26,261)
Charges for services	475,123	475,123	548,420	73,297
Other revenues	123,200	123,200	139,862	16,662
Total revenues	<u>11,380,373</u>	<u>11,506,443</u>	<u>12,553,996</u>	<u>1,047,553</u>
EXPENDITURES:				
Current:				
General government	1,990,037	2,079,908	1,857,795	222,113
Public safety	6,993,468	7,089,623	6,559,324	530,299
Public works	474,034	479,719	357,941	121,778
Community development	1,105,108	1,174,338	913,914	260,424
Health	53,237	64,712	34,707	30,005
Culture and leisure	1,433,157	1,661,093	1,591,654	69,439
Capital outlay	300,601	300,601	299,964	637
Total expenditures	<u>12,349,642</u>	<u>12,849,994</u>	<u>11,615,299</u>	<u>1,234,695</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(969,269)</u>	<u>(1,343,551)</u>	<u>938,697</u>	<u>2,282,248</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,277,856	1,299,523	1,210,222	(89,301)
Transfers Out	(1,395,381)	(1,668,559)	(1,624,478)	44,081
Transfers from Successor Agency	543,147	543,147	250,000	(293,147)
Total other financing sources (uses)	<u>425,622</u>	<u>174,111</u>	<u>(164,256)</u>	<u>(338,367)</u>
Net change in fund balances	<u>\$ (543,647)</u>	<u>\$ (1,169,440)</u>	<u>774,441</u>	<u>\$ 1,943,881</u>
FUND BALANCES:				
Beginning of year			<u>700,607</u>	
End of year			<u>\$ 1,475,048</u>	

\$ -

City of Ridgecrest
Required Supplementary Information (Unaudited) (Continued)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans

Measurement Period	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.27877%	0.28936%	0.10180%
City's Proportionate Share of the net Pension Liability 3, 4	\$ 9,684,180	\$ 7,938,471	\$ 7,938,471
City's Covered-Employee Payroll 2	\$ 3,556,588	\$ 3,452,998	\$ 3,478,615
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>272.29%</u>	<u>229.90%</u>	<u>228.21%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>70.53%</u>	<u>75.30%</u>	<u>79.46%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plans

Measurement Period	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.14474%	0.14702%	0.00999%
City's Proportionate Share of the net Pension Liability 3, 4	\$ 7,496,576	\$ 6,058,020	\$ 6,215,700
City's Covered-Employee Payroll 2	\$ 2,479,601	\$ 2,407,380	\$ 2,454,879
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>302.33%</u>	<u>251.64%</u>	<u>253.20%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>72.39%</u>	<u>76.43%</u>	<u>74.31%</u>

Notes to Schedule:

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of miscellaneous employees.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

City of Ridgecrest
Required Supplementary Information (Unaudited) (Continued)
Schedule of the Contributions
For the Year Ended June 30, 2017

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans				
	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially Determined Contribution ²	\$ 876,322	\$ 815,999	\$ 271,845	\$ 623,008
Contribution in Relation to the Actuarially Determined Contribution ²	(876,322)	(815,999)	(271,845)	(623,008)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll ³	\$ 3,663,286	\$ 3,556,588	\$ 3,452,998	\$ 3,478,615
Contributions as a Percentage of Covered-Employee Payroll	23.92%	22.94%	7.87%	17.91%

California Public Employees' Retirement System ("CalPERS") Safety Plans				
	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially Determined Contribution ²	\$ 854,722	\$ 801,776	\$ 747,875	\$ 768,496
Contribution in Relation to the Actuarially Determined Contribution ²	(854,722)	(801,776)	(747,875)	(768,496)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll ³	\$ 2,553,989	\$ 2,479,601	\$ 2,407,380	\$ 2,454,879
Contributions as a Percentage of Covered-Employee Payroll	33.47%	32.33%	31.07%	31.30%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedule

Valuation date:

6/30/2015

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.65%
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Ridgecrest
Required Supplementary Information (Unaudited) (Continued)
Schedule of Funding Progress – Other Postemployment Benefits Plan
For the Year Ended June 30, 2017

The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Actuarial Valuation Date	Actuarial Assets Valuation	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Accrued Liability as Percentage of Covered Payroll
6/30/2011	\$ 129,549	\$ 661,750	\$ 532,201	19.58%	\$ 6,063,000	8.78%
6/30/2013	318,724	917,842	599,118	34.73%	5,569,000	10.76%
6/30/2015	449,520	961,858	512,338	46.73%	5,189,000	9.87%

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Supplementary Information



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Non-Major Governmental Funds



City of Ridgecrest
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds			
	State Gas Tax Special Revenue Fund	Grant Operations Special Revenue Fund	Park Development	TDA Street Fund
ASSETS				
Cash and investments	\$ 812	\$ 310,266	\$ 16,647	\$ -
Receivables:				
Accounts	-	-	-	167,226
Interest	15	747	35	230
Loans	-	-	-	-
Deposits	-	-	-	-
Total assets	\$ 827	\$ 311,013	\$ 16,682	\$ 167,456
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 64,380	\$ -	\$ -	\$ -
Salaries payable	11,553	-	-	-
Unearned revenue	100	266,960	-	-
Total liabilities	76,033	266,960	-	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	44,053	-	167,456
Committed	-	-	16,682	-
Assigned	-	-	-	-
Unassigned (deficit)	(75,206)	-	-	-
Total fund balances	(75,206)	44,053	16,682	167,456
Total liabilities, deferred inflows of resources and fund balances	\$ 827	\$ 311,013	\$ 16,682	\$ 167,456

City of Ridgecrest
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds			
	Business Park	Supplemental Law Enforcement	Traffic Congestion Relief	Landscaping and Lighting
ASSETS				
Cash and investments	\$ 38,149	\$ -	\$ -	\$ 59,610
Receivables:				
Accounts	-	-	-	-
Interest	82	278	-	128
Loans	-	-	-	-
Deposits	-	-	-	-
Total assets	\$ 38,231	\$ 278	\$ -	\$ 59,738
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 176
Salaries payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	176
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	278	-	-
Committed	-	-	-	-
Assigned	38,231	-	-	59,562
Unassigned (deficit)	-	-	-	-
Total fund balances	38,231	278	-	59,562
Total liabilities, deferred inflows of resources and fund balances	\$ 38,231	\$ 278	\$ -	\$ 59,738

(Continued)

City of Ridgecrest
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds			
	Fire Facilities Improvements	Traffic Impact Fee	Park Development Impact Fee	Law Enforcement Improvement Fee
ASSETS				
Cash and investments	\$ 275,300	\$ 1,529,419	\$ 236,273	\$ 280,024
Receivables:				
Accounts	-	-	-	-
Interest	579	3,229	490	582
Loans	-	-	-	-
Deposits	-	-	-	-
Total assets	\$ 275,879	\$ 1,532,648	\$ 236,763	\$ 280,606
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	275,879	1,532,648	236,763	280,606
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	275,879	1,532,648	236,763	280,606
Total liabilities, deferred inflows of resources and fund balances	\$ 275,879	\$ 1,532,648	\$ 236,763	\$ 280,606

(Continued)

City of Ridgecrest
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds			Capital Projects Funds
	Storm Drainage Facilities	Community Partnership Grant	Housing Authority	Sub-Standard Streets Improvements
ASSETS				
Cash and investments	\$ 1,466,711	\$ 138	\$ 120,953	\$ 601,889
Receivables:				
Accounts	-	-	-	-
Interest	3,087	-	244	1,267
Loans	-	-	234,239	-
Deposits	-	-	-	10,241
Total assets	\$ 1,469,798	\$ 138	\$ 355,436	\$ 613,397
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	234,239	-
Total deferred inflows of resources	-	-	234,239	-
Fund Balances:				
Nonspendable	-	-	234,239	-
Restricted	1,469,798	138	-	-
Committed	-	-	-	613,397
Assigned	-	-	-	-
Unassigned (deficit)	-	-	(113,042)	-
Total fund balances	1,469,798	138	121,197	613,397
Total liabilities, deferred inflows of resources and fund balances	\$ 1,469,798	\$ 138	\$ 355,436	\$ 613,397

City of Ridgecrest
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Total Other Governmental Funds
ASSETS	
Cash and investments	\$ 4,936,191
Receivables:	
Accounts	167,226
Interest	10,993
Loans	234,239
Deposits	10,241
Total assets	\$ 5,358,890
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 64,556
Salaries payable	11,553
Unearned revenue	267,060
Total liabilities	343,169
Deferred Inflows of Resources:	
Unavailable revenue	234,239
Total deferred inflows of resources	234,239
Fund Balances:	
Nonspendable	234,239
Restricted	4,007,619
Committed	630,079
Assigned	97,793
Unassigned (deficit)	(188,248)
Total fund balances	4,547,243
Total liabilities, deferred inflows of resources and fund balances	\$ 5,124,651

(Concluded)

City of Ridgecrest
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			
	State Gas Tax Special Revenue Fund	Grant Operations Special Revenue Fund	Park Development	TDA Street Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 574,976
Intergovernmental	459,629	855,836	-	-
License and permits	-	-	-	-
Assessment levied	-	-	-	-
Use of money and property	15	10,621	112	706
Other revenues	565	-	-	-
Total revenues	<u>460,209</u>	<u>866,457</u>	<u>112</u>	<u>575,682</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	1,116,041	-	-	-
Community development	-	-	-	-
Total expenditures	<u>1,116,041</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(655,832)</u>	<u>866,457</u>	<u>112</u>	<u>575,682</u>
OTHER FINANCING SOURCES (USES):				
Sales of Property	-	-	-	-
Transfers In	1,141,360	-	-	-
Transfers Out	(524,540)	(858,812)	-	(523,867)
Total other financing sources (uses)	<u>616,820</u>	<u>(858,812)</u>	<u>-</u>	<u>(523,867)</u>
Net changes in fund balances	(39,012)	7,645	112	51,815
FUND BALANCES:				
Beginning of year	(36,194)	36,408	16,570	115,641
End of year	<u>\$ (75,206)</u>	<u>\$ 44,053</u>	<u>\$ 16,682</u>	<u>\$ 167,456</u>

City of Ridgecrest
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			
	Business Park	Supplemental Law Enforcement	Traffic Congestion Relief	Landscaping and Lighting
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	100,000	-	-
License and permits	-	-	-	-
Assessment levied	-	-	-	32,068
Use of money and property	263	644	32	1,477
Other revenues	-	-	-	-
Total revenues	<u>263</u>	<u>100,644</u>	<u>32</u>	<u>33,545</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	3,097
Public works	-	-	-	-
Community development	-	-	-	9,019
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,116</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>263</u>	<u>100,644</u>	<u>32</u>	<u>21,429</u>
OTHER FINANCING SOURCES (USES):				
Sales of Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	(129,832)	(6,898)	-
Total other financing sources (uses)	<u>-</u>	<u>(129,832)</u>	<u>(6,898)</u>	<u>-</u>
Net changes in fund balances	263	(29,188)	(6,866)	21,429
FUND BALANCES:				
Beginning of year	<u>37,968</u>	<u>29,466</u>	<u>6,866</u>	<u>38,133</u>
End of year	<u>\$ 38,231</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ 59,562</u>

(Continued)

City of Ridgecrest
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			
	Fire Facilities Improvements	Traffic Impact Fee	Park Development Impact Fee	Law Enforcement Improvement Fee
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
License and permits	28,929	115,982	43,133	48,148
Assessment levied	-	-	-	-
Use of money and property	1,797	10,121	1,594	1,768
Other revenues	-	-	-	-
Total revenues	<u>30,726</u>	<u>126,103</u>	<u>44,727</u>	<u>49,916</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>30,726</u>	<u>126,103</u>	<u>44,727</u>	<u>49,916</u>
OTHER FINANCING SOURCES (USES):				
Sales of Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	(1,969)	(41,666)	-
Total other financing sources (uses)	<u>-</u>	<u>(1,969)</u>	<u>(41,666)</u>	<u>-</u>
Net changes in fund balances	30,726	124,134	3,061	49,916
FUND BALANCES:				
Beginning of year	<u>245,153</u>	<u>1,408,514</u>	<u>233,702</u>	<u>230,690</u>
End of year	<u>\$ 275,879</u>	<u>\$ 1,532,648</u>	<u>\$ 236,763</u>	<u>\$ 280,606</u>

(Continued)

City of Ridgecrest
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			Capital Projects Funds
	Storm Drainage Facilities	Community Partnership Grant	Housing Authority	Sub-Standard Streets Improvements
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
License and permits	118,934	-	-	-
Assessment levied	-	-	-	-
Use of money and property	9,655	-	8,535	3,968
Other revenues	-	-	23,767	48,600
Total revenues	<u>128,589</u>	<u>-</u>	<u>32,302</u>	<u>52,568</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>128,589</u>	<u>-</u>	<u>32,302</u>	<u>52,568</u>
OTHER FINANCING SOURCES (USES):				
Sales of Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	128,589	-	32,302	52,568
FUND BALANCES:				
Beginning of year	<u>1,341,209</u>	<u>138</u>	<u>88,895</u>	<u>560,829</u>
End of year	<u>\$ 1,469,798</u>	<u>\$ 138</u>	<u>\$ 121,197</u>	<u>\$ 613,397</u>

City of Ridgecrest
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Total Other Governmental Funds
REVENUES:	
Taxes	\$ 574,976
Intergovernmental	1,415,465
License and permits	355,126
Assessment levied	32,068
Use of money and property	51,308
Other revenues	72,932
Total revenues	<u>2,501,875</u>
EXPENDITURES:	
Current:	
Public safety	3,097
Public works	1,116,041
Community development	9,019
Total expenditures	<u>1,128,157</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,373,718</u>
OTHER FINANCING SOURCES (USES):	
Sales of Property	-
Transfers In	1,141,360
Transfers Out	(2,087,584)
Total other financing sources (uses)	<u>(946,224)</u>
Net changes in fund balances	427,494
FUND BALANCES:	
Beginning of year	<u>4,353,988</u>
End of year	<u>\$ 4,781,482</u>

(Concluded)

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
City Debt Service Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 829	\$ 829
Total revenues	<u>-</u>	<u>-</u>	<u>829</u>	<u>829</u>
EXPENDITURES:				
Current:				
General government	1,500	1,500	1,500	-
Debt service:				
Principal	485,000	485,000	485,000	-
Interest	262,237	262,237	262,216	21
Total expenditures	<u>748,737</u>	<u>748,737</u>	<u>748,716</u>	<u>21</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(748,737)</u>	<u>(748,737)</u>	<u>(747,887)</u>	<u>850</u>
OTHER FINANCING SOURCES (USES):				
Transfers from Successor Agency (Note 6)	745,237	745,237	263,716	481,521
Total other financing sources (uses)	<u>745,237</u>	<u>745,237</u>	<u>263,716</u>	<u>481,521</u>
Net change in fund balance	<u>\$ (3,500)</u>	<u>\$ (3,500)</u>	<u>(484,171)</u>	<u>\$ 481,542</u>
FUND BALANCE:				
Beginning of year			<u>5,865,518</u>	
End of year			<u>\$ 5,381,347</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Improvements - Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,548,072	\$ 1,548,072	\$ 1,347,856	\$ (200,216)
Use of money and property	-	-	2,140	2,140
Other revenues	13,000	13,000	28,289	15,289
Total revenues	<u>1,561,072</u>	<u>1,561,072</u>	<u>1,378,285</u>	<u>(182,787)</u>
EXPENDITURES:				
Capital outlay	7,726,671	7,726,671	7,188,057	538,614
Total expenditures	<u>7,726,671</u>	<u>7,726,671</u>	<u>7,188,057</u>	<u>538,614</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,165,599)</u>	<u>(6,165,599)</u>	<u>(5,809,772)</u>	<u>355,827</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,033,166	1,033,166	978,177	(54,989)
Transfers from Successor Agency	4,926,711	4,926,711	4,571,436	(355,275)
Total other financing sources (uses)	<u>5,959,877</u>	<u>5,959,877</u>	<u>5,549,613</u>	<u>(410,264)</u>
Net change in fund balance	<u>\$ (205,722)</u>	<u>\$ (205,722)</u>	<u>(260,159)</u>	<u>\$ (54,437)</u>
FUND BALANCE:				
Beginning of year			<u>600,310</u>	
End of year			<u>\$ 340,151</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
State Gas Tax - Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 588,444	\$ 588,444	\$ 459,629	\$ (128,815)
Use of property and money	200	200	15	(185)
Other revenues	-	-	565	565
Total revenues	<u>588,644</u>	<u>588,644</u>	<u>460,209</u>	<u>(128,435)</u>
EXPENDITURES:				
Current:				
Public works	2,438,096	2,395,656	1,116,041	1,279,615
Capital outlay	100,000	71,748	-	71,748
Total expenditures	<u>2,538,096</u>	<u>2,467,404</u>	<u>1,116,041</u>	<u>1,351,363</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,949,452)</u>	<u>(1,878,760)</u>	<u>(655,832)</u>	<u>1,222,928</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	850,224	850,224	1,141,360	291,136
Transfers Out	(524,540)	(524,540)	(524,540)	-
Transfers from Successor Agency	1,223,000	1,223,000	-	(1,223,000)
Total other financing sources (uses)	<u>1,548,684</u>	<u>1,548,684</u>	<u>616,820</u>	<u>(931,864)</u>
Net change in fund balances	<u>\$ (400,768)</u>	<u>\$ (330,076)</u>	<u>(39,012)</u>	<u>\$ 291,064</u>
FUND BALANCE:				
Beginning of year			<u>(36,194)</u>	
End of year			<u>\$ (75,206)</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Grant Operations - Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 7,714	\$ 7,714	\$ 855,836	\$ 848,122
Use of property and money	-	-	10,621	10,621
Total revenues	<u>7,714</u>	<u>7,714</u>	<u>866,457</u>	<u>858,743</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7,714</u>	<u>7,714</u>	<u>866,457</u>	<u>858,743</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(872,356)	(872,356)	(858,812)	13,544
Total other financing sources (uses)	<u>(872,356)</u>	<u>(872,356)</u>	<u>(858,812)</u>	<u>13,544</u>
Net change in fund balances	<u>\$ (864,642)</u>	<u>(864,642)</u>	7,645	<u>\$ 872,287</u>
FUND BALANCE:				
Beginning of year			<u>36,408</u>	
End of year			<u>\$ 44,053</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Street Fund - Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 500,000	\$ 500,000	\$ 574,976	\$ 74,976
Use of money and property	200	200	706	506
Total revenues	<u>500,200</u>	<u>500,200</u>	<u>575,682</u>	<u>75,482</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>500,200</u>	<u>500,200</u>	<u>575,682</u>	<u>75,482</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(523,867)</u>	<u>(23,867)</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(523,867)</u>	<u>(23,867)</u>
Net change in fund balance	<u>\$ 200</u>	<u>\$ 200</u>	51,815	<u>\$ 51,615</u>
FUND BALANCE:				
Beginning of year			<u>115,641</u>	
End of year			<u>\$ 167,456</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Supplemental Law Enforcement - Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Use of property and money	-	-	644	644
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>100,644</u>	<u>644</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>100,000</u>	<u>100,000</u>	<u>100,644</u>	<u>644</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(129,832)</u>	<u>(29,832)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(129,832)</u>	<u>(29,832)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>(29,188)</u>	<u><u>\$ (29,188)</u></u>
FUND BALANCE:				
Beginning of year			<u>29,466</u>	
End of year			<u><u>\$ 278</u></u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Landscaping and Lighting - Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessment levied	\$ 13,200	\$ 20,336	\$ 32,068	\$ 11,732
Use of property and money	100	100	1,477	1,377
Total revenues	<u>13,300</u>	<u>20,436</u>	<u>33,545</u>	<u>13,109</u>
EXPENDITURES:				
Current:				
Public safety	3,000	2,936	3,097	(161)
Public works	13,200	10,841	9,019	(1,822)
Total expenditures	<u>16,200</u>	<u>13,777</u>	<u>12,116</u>	<u>(1,983)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,900)</u>	<u>6,659</u>	<u>21,429</u>	<u>11,126</u>
Net change in fund balance	<u>\$ (2,900)</u>	<u>\$ 6,659</u>	<u>21,429</u>	<u>\$ 11,126</u>
FUND BALANCE:				
Beginning of year			<u>38,133</u>	
End of year			<u>\$ 59,562</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Impact Fee - Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 115,982	\$ 95,982
Use of property and money	1,000	1,000	10,121	9,121
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>126,103</u>	<u>105,103</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>21,000</u>	<u>21,000</u>	<u>126,103</u>	<u>105,103</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,970)	(1,970)	(1,969)	1
Total other financing sources (uses)	<u>(1,970)</u>	<u>(1,970)</u>	<u>(1,969)</u>	<u>1</u>
Net change in fund balance	<u>\$ 19,030</u>	<u>\$ 19,030</u>	124,134	<u>\$ 105,104</u>
FUND BALANCE:				
Beginning of year			<u>1,408,514</u>	
End of year			<u>\$ 1,532,648</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Law Enforcement Improvement Fee - Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 11,000	\$ 11,000	\$ 48,148	\$ 37,148
Use of property and money	200	200	1,768	1,568
Total revenues	<u>11,200</u>	<u>11,200</u>	<u>49,916</u>	<u>38,716</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>11,200</u>	<u>11,200</u>	<u>49,916</u>	<u>38,716</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(127,000)</u>	<u>(127,000)</u>	<u>-</u>	<u>127,000</u>
Total other financing sources (uses)	<u>(127,000)</u>	<u>(127,000)</u>	<u>-</u>	<u>127,000</u>
Net change in fund balance	<u>\$ (115,800)</u>	<u>\$ (115,800)</u>	<u>49,916</u>	<u>\$ 165,716</u>
FUND BALANCE:				
Beginning of year			<u>230,690</u>	
End of year			<u>\$ 280,606</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Storm Drainage Facilities - Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 118,934	\$ 103,934
Use of property and money	1,500	1,500	9,655	8,155
Total revenues	<u>16,500</u>	<u>16,500</u>	<u>128,589</u>	<u>112,089</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>16,500</u>	<u>16,500</u>	<u>128,589</u>	<u>112,089</u>
Net change in fund balance	<u>\$ 16,500</u>	<u>\$ 16,500</u>	<u>128,589</u>	<u>\$ 112,089</u>
FUND BALANCE:				
Beginning of year			<u>1,341,209</u>	
End of year			<u>\$ 1,469,798</u>	

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Internal Service Funds



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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INTERNAL SERVICE FUND FINANCIAL STATEMENTS

Internal Service Funds of the City are outlined below:

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

Self Insurance Workers Comp Fund - This fund is used to account for the cost of self-insurance workers' compensation program.

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

City of Ridgecrest
Combining Statement of Net Position
All Internal Service Funds
June 30, 2017

	Human Resource and Risk Management	Self Insurance Workers Comp	Fleet Maintenance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,417,415	\$ 29,309	\$ 200,955	\$ 1,647,679
Interest receivable	2,816	-	392	3,208
Inventories	-	-	18,607	18,607
Total current assets	1,420,231	29,309	219,954	1,669,494
Noncurrent assets:				
Capital assets:				
Depreciable	-	-	412,893	412,893
Less: accumulated depreciation	-	-	(412,893)	(412,893)
Total capital assets	-	-	-	-
Total noncurrent assets	-	-	-	-
Total assets	1,420,231	29,309	219,954	1,669,494
LIABILITIES				
Current Liabilities:				
Accounts payable	4,892	29,309	10,264	44,465
Salaries payable	-	-	2,011	2,011
Other payroll deductions payable	53,096	-	-	53,096
Claims payable - due within one year	519,599	-	-	519,599
Total current liabilities	577,587	29,309	12,275	619,171
Noncurrent liabilities:				
Claims payable - due in more than one year	1,211,392	-	-	1,211,392
Total noncurrent liabilities	1,211,392	-	-	1,211,392
Total liabilities	1,788,979	29,309	12,275	1,830,563
NET POSITION				
Unrestricted (deficit)	(368,748)	-	207,679	(161,069)
Total net position	\$ (368,748)	\$ -	\$ 207,679	\$ (161,069)

City of Ridgecrest
Combining Statements of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2017

	Human Resource and Risk Management	Self Insurance Workers Comp	Fleet Maintenance	Total
OPERATING REVENUES:				
Charges for services	\$ 324,917	\$ -	\$ 422,496	\$ 747,413
Other revenue	456,272	-	-	456,272
Total operating revenues	781,189	-	422,496	1,203,685
OPERATING EXPENSES:				
Administration	1,078,754	519,599	300,777	1,899,130
Total operating expenses	1,078,754	519,599	300,777	1,899,130
OPERATING INCOME (LOSS)	(297,565)	(519,599)	121,719	(695,445)
NONOPERATING REVENUES:				
Use of money and property	6,782	-	1,239	8,021
Total nonoperating revenues	6,782	-	1,239	8,021
INCOME (LOSS) BEFORE TRANSFERS	(290,783)	(519,599)	122,958	(687,424)
TRANSFERS:				
Transfers in	1,333,198	519,599	-	1,852,797
Transfers out	(651,706)	-	(128,536)	(780,242)
Total transfers	681,492	519,599	(128,536)	1,072,555
Changes in net position	390,709	-	(5,578)	385,131
NET POSITION:				
Beginning of year	(759,457)	-	213,257	(546,200)
End of year	<u>\$ (368,748)</u>	<u>\$ -</u>	<u>\$ 207,679</u>	<u>\$ (161,069)</u>

City of Ridgecrest
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2017

	Human Resource and Risk Management	Self Insurance Workers Comp	Fleet Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from user departments	\$ 334,789	\$ -	\$ 422,496	\$ 757,285
Payments to suppliers or employees for goods and services	(320,583)	(507,529)	(308,606)	(1,136,718)
Insurance premiums and settlements and insurance recovery	(493,433)	-	-	(493,433)
Others	456,272	-	-	456,272
Net cash provided by (used in) operating activities	(22,955)	(507,529)	113,890	(416,594)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	1,333,198	519,599	-	1,852,797
Transfers out	(651,706)	-	(128,536)	(780,242)
Net cash provided by (used in) noncapital financing activities	681,492	519,599	(128,536)	1,072,555
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	4,590	-	1,056	5,646
Net cash provided by investing activities	4,590	-	1,056	5,646
Net change in cash and cash equivalents	663,127	12,070	(13,590)	661,607
CASH AND CASH EQUIVALENTS				
Beginning of year	754,288	17,239	214,545	986,072
End of year	<u>\$ 1,417,415</u>	<u>\$ 29,309</u>	<u>\$ 200,955</u>	<u>\$ 1,647,679</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (297,565)	\$ (519,599)	\$ 121,719	\$ (695,445)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in current assets and liabilities:				
Accounts receivable	9,872	-	-	9,872
Inventories	-	-	(3,173)	(3,173)
Accounts payable	(1,178)	12,070	(4,848)	6,044
Salaries payable	(1,133)	-	192	(941)
Claims payable	234,716	-	-	234,716
Other payroll deductions payable	32,333	-	-	32,333
Total adjustments	274,610	12,070	(7,829)	278,851
Net cash provided by (used in) operating activities	\$ (22,955)	\$ (507,529)	\$ 113,890	\$ (416,594)

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Fiduciary Funds



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Statement of Fiduciary Net Position
Fiduciary Funds - Private Purpose Trust Funds
June 30, 2017

	Private Purpose Trust Funds		
	Donations	RDA Obligation Retirement	Total
ASSETS			
Cash and investments	\$ 4,093	\$ 7,919,883	\$ 7,923,976
Investments with fiscal agents	-	2,769,850	2,769,850
Interest receivable	8	18,144	18,152
Loans receivable	-	3,050,978	3,050,978
Capital assets:			
Non-depreciable	-	2,202,440	2,202,440
Depreciable, net	-	1,665,244	1,665,244
Total assets	<u>4,101</u>	<u>17,626,539</u>	<u>17,630,640</u>
LIABILITIES			
Accounts payable	-	12,114	12,114
Deposits payable	-	2,000	2,000
Unearned revenue	3,066	-	3,066
Due to City of Ridgecrest	-	7,133,774	7,133,774
Long-term debt	-	26,342,593	26,342,593
Total liabilities	<u>3,066</u>	<u>33,490,481</u>	<u>33,493,547</u>
NET POSITION			
Held in trust	<u>1,035</u>	<u>(15,863,942)</u>	<u>(15,862,907)</u>
Total net position	<u>\$ 1,035</u>	<u>\$ (15,863,942)</u>	<u>\$ (15,862,907)</u>

City of Ridgecrest
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Private Purpose Trust Funds
For the Year Ended June 30, 2017

	Private Purpose Trust Funds		
	Donations	RDA Obligation Retirement	Total
ADDITIONS:			
Taxes	\$ -	\$ 3,815,447	\$ 3,815,447
Revenue from use of money and property	28	73,375	73,403
Other revenue	4,034	198,761	202,795
Total additions	<u>4,062</u>	<u>4,087,583</u>	<u>4,091,645</u>
DEDUCTIONS:			
Community development	5,689	25,866	31,555
Depreciation expense	-	197,137	197,137
Interest expense	-	1,685,388	1,685,388
Transfers to City of Ridgecrest (Note 6)	-	5,085,152	5,085,152
Total deductions	<u>5,689</u>	<u>6,993,543</u>	<u>6,999,232</u>
Changes in net position	(1,627)	(2,905,960)	(2,907,587)
NET POSITION:			
Beginning of year, as restated (Note 15)	2,662	(12,957,982)	(12,955,320)
End of year	<u>\$ 1,035</u>	<u>\$ (15,863,942)</u>	<u>\$ (15,862,907)</u>

City of Ridgecrest
Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 450,923	\$ 4,566	\$ -	\$ 455,489
Interest receivable	319	729	-	1,048
Total assets	\$ 451,242	\$ 5,295	\$ -	\$ 456,537
Liabilities:				
Due to City of Ridgecrest	\$ 56,345	\$ -	\$ -	\$ 56,345
Due to bondholders - special assessment district	394,897	5,295	-	400,192
Total liabilities	\$ 451,242	\$ 5,295	\$ -	\$ 456,537

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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CITY OF RIDGECREST - STATISTICAL SECTION

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

CONTENTS	PAGE
Financial Trends - These schedules contain trend information to help the reader understand how the City of Ridgecrest's financial performance and well being have changed over time	
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Sources: Unless otherwise noted, the information in these schedules is derived from the City's comprehensive annual financial reports for the relevant year

City of Ridgecrest
Schedule 1
Net Position by Component
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Years				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities					
Invested in capital assets	\$ 48,401,633	\$ 43,739,184	\$ 42,325,287	\$ 34,386,270	\$ 35,668,108
Restricted	11,058,233	11,197,956	9,961,497	10,718,146	2,614,715
Unrestricted	(12,569,000)	(13,765,063)	(16,350,067)	(4,801,114)	3,974,360
Total governmental activities net position	<u>46,890,866</u>	<u>41,172,077</u>	<u>35,936,717</u>	<u>40,303,302</u>	<u>42,257,183</u>
Business type activities					
Invested in capital assets	16,710,100	14,635,228	15,069,345	15,581,116	16,054,395
Restricted	-	-	-	-	-
Unrestricted	23,924,994	21,515,449	18,473,732	18,060,765	16,389,245
Total business type activities net position	<u>40,635,094</u>	<u>36,150,677</u>	<u>33,543,077</u>	<u>33,641,881</u>	<u>32,443,640</u>
Primary government					
Invested in capital assets	65,111,733	58,374,412	57,394,632	49,967,386	51,722,503
Restricted	11,058,233	11,197,956	9,961,497	10,718,146	2,614,715
Unrestricted	11,355,994	7,750,386	2,123,665	13,259,651	20,363,605
Total primary government net position	<u>\$ 87,525,960</u>	<u>\$ 77,322,754</u>	<u>\$ 69,479,794</u>	<u>\$ 73,945,183</u>	<u>\$ 74,700,823</u>

City of Ridgecrest
Schedule 1
Net Position by Component (Continued)
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Years				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities					
Invested in capital assets	\$ 35,805,602	\$ 8,428,496	\$ 31,515,820	\$ 32,676,918	\$ 34,321,803
Restricted	2,730,315	36,879,459	25,130,907	23,615,054	18,483,103
Unrestricted	<u>2,126,223</u>	<u>11,269,841</u>	<u>(220,511)</u>	<u>798,741</u>	<u>2,858,388</u>
Total governmental activities net position	<u><u>40,662,140</u></u>	<u><u>56,577,796</u></u>	<u><u>56,426,216</u></u>	<u><u>57,090,713</u></u>	<u><u>55,663,294</u></u>
Business type activities					
Invested in capital assets	16,378,348	16,045,080	16,522,152	16,979,238	17,259,625
Restricted	-	-	-	-	-
Unrestricted	<u>15,849,625</u>	<u>9,755,416</u>	<u>11,109,512</u>	<u>11,807,479</u>	<u>11,511,303</u>
Total business type activities net position	<u><u>32,227,973</u></u>	<u><u>25,800,496</u></u>	<u><u>27,631,664</u></u>	<u><u>28,786,717</u></u>	<u><u>28,770,928</u></u>
Primary government					
Invested in capital assets	52,183,950	24,473,576	48,037,972	49,656,156	51,581,428
Restricted	2,730,315	36,879,459	25,130,907	23,615,054	18,483,103
Unrestricted	<u>17,975,848</u>	<u>21,025,257</u>	<u>10,889,001</u>	<u>12,606,220</u>	<u>14,369,691</u>
Total primary government net position	<u><u>\$ 72,890,113</u></u>	<u><u>\$ 82,378,292</u></u>	<u><u>\$ 84,057,880</u></u>	<u><u>\$ 85,877,430</u></u>	<u><u>\$ 84,434,222</u></u>

City of Ridgecrest
Schedule 2
Changes in Net Position
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Years				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expenses					
Governmental activities:					
General government	\$ 1,751,017	\$ 1,754,299	\$ 2,298,464	\$ 2,393,838	\$ 1,818,304
Public safety	7,311,427	6,684,042	7,436,539	7,833,984	7,161,993
Public works	4,109,004	3,545,280	2,848,720	2,413,076	2,787,797
Transportation	82,051	2,213,317	3,284,356	2,097,999	753,762
Community development	1,089,482	1,018,186	817,626	703,912	1,178,359
Health	-	-	-	5,270	76,939
Culture and leisure	1,892,820	1,426,011	1,679,152	1,756,316	1,745,953
Interest and fiscal agent fees	255,588	275,499	292,989	319,028	345,295
Total governmental activities expenses	16,491,389	16,916,634	18,657,846	17,523,423	15,868,402
Business type activities:					
TDA Transit	849,257	832,756	757,646	868,224	887,416
Wastewater	1,599,732	2,496,953	2,082,287	1,519,731	1,558,143
Solid Waste Collection	-	-	-	-	38,905
Total business type activities expenses	2,448,989	3,329,709	2,839,933	2,387,955	2,484,464
Total primary government expenses	\$ 18,940,378	\$ 20,246,343	\$ 21,497,779	\$ 19,911,378	\$ 18,352,866
Program Revenues					
Governmental activities:					
Charges for services:					
General government	291,687	267,637	270,810	326,982	192,539
Public safety	334,668	292,613	392,093	186,170	304,361
Public works	4,765	-	-	223,811	25,000
Transportation	-	-	-	13,970	230
Community development	468,418	704,566	287,611	-	357,550
Health	-	-	-	-	-
Culture and leisure	333,364	368,473	345,877	292,439	326,930
Operating grants and contributions	1,328,471	1,647,328	2,315,476	1,982,127	1,979,447
Capital grants and contributions	2,196,184	1,042,058	7,728,784	384,661	2,332,772
Total governmental activities program revenues	4,957,557	4,322,675	11,340,651	3,410,160	5,518,829
Business type activities:					
Charges for services:					
TDA Transit	309,271	252,822	252,359	273,698	346,509
Wastewater	6,084,876	5,803,024	3,893,420	2,650,298	1,814,935
Solid Waste Collection	-	-	-	-	-
Operating grants and contributions	451,898	93,577	92,834	259,868	225,974
Capital grants and contributions	-	-	-	-	-
Total business type activities program revenues	6,846,045	6,149,423	4,238,613	3,183,864	2,387,418
Total primary government program revenues	\$ 11,803,602	\$ 10,472,098	\$ 15,579,264	\$ 6,594,024	\$ 7,906,247
Net (Expense)/Revenue					
Governmental activities	(11,533,832)	(12,593,959)	(7,317,195)	(14,113,263)	(10,349,573)
Business type activities	4,397,056	2,819,714	1,398,680	795,909	(97,046)
Total primary government net expense	\$ (7,136,776)	\$ (9,774,245)	\$ (5,918,515)	\$ (13,317,354)	\$ (10,446,619)

City of Ridgecrest
Schedule 2
Changes in Net Position (Continued)
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Years				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses					
Governmental activities:					
General government	\$ 1,876,073	\$ 110,641	\$ 822,032	\$ 639,444	\$ 1,968,944
Public safety	6,683,638	7,990,857	7,577,267	7,706,699	7,390,384
Public works	2,758,511	3,041,354	319,912	2,056,581	1,858,022
Transportation	1,005,682	1,677,918	3,590,557	2,559,837	2,460,727
Community development	4,963,100	3,394,765	6,214,074	3,412,566	2,379,597
Health	-	63,565	23,813	92,882	174,055
Culture and leisure	1,648,072	2,088,659	2,087,149	2,428,923	2,425,245
Interest and fiscal agent fees	1,530,204	2,434,697	897,803	927,854	973,731
Total governmental activities expenses	<u>20,465,280</u>	<u>20,802,455</u>	<u>21,532,607</u>	<u>19,824,786</u>	<u>19,630,705</u>
Business type activities:					
TDA Transit	619,971	589,224	661,514	789,718	714,560
Wastewater	1,485,273	2,606,452	2,167,812	2,117,372	2,922,903
Solid Waste Collection	161,257	699,218	850,423	-	-
Total business type activities expenses	<u>2,266,501</u>	<u>3,894,894</u>	<u>3,679,749</u>	<u>2,907,090</u>	<u>3,637,463</u>
Total primary government expenses	<u>\$ 22,731,781</u>	<u>\$ 24,697,349</u>	<u>\$ 25,212,356</u>	<u>\$ 22,731,876</u>	<u>\$ 23,268,168</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	195,656	184,130	173,352	196,411	189,506
Public safety	298,244	310,398	391,308	371,973	340,599
Public works	-	-	-	-	-
Transportation	-	-	70	1,034	850
Community development	225,504	517,003	739,191	147,325	696,801
Health	41,754	-	-	-	-
Culture and leisure	425,213	475,348	500,996	484,910	462,904
Operating grants and contributions	1,622,484	1,885,581	1,253,997	1,384,420	1,112,823
Capital grants and contributions	1,057,999	998,583	939,616	766,742	1,474,279
Total governmental activities program revenues	<u>3,866,854</u>	<u>4,371,043</u>	<u>3,998,530</u>	<u>3,352,815</u>	<u>4,277,762</u>
Business type activities:					
Charges for services:					
TDA Transit	212,819	213,410	254,543	247,294	251,131
Wastewater	2,019,185	1,911,187	1,765,195	1,982,131	1,768,552
Solid Waste Collection	820	29,158	76,532	-	-
Operating grants and contributions	1,597,115	131,539	97,657	-	94,663
Capital grants and contributions	-	-	-	-	-
Total business type activities program revenues	<u>3,829,939</u>	<u>2,285,294</u>	<u>2,193,927</u>	<u>2,229,425</u>	<u>2,114,346</u>
Total primary government program revenues	<u>\$ 7,696,793</u>	<u>\$ 6,656,337</u>	<u>\$ 6,192,457</u>	<u>\$ 5,582,240</u>	<u>\$ 6,392,108</u>
Net (Expense)/Revenue					
Governmental activities	(16,598,426)	(16,431,412)	(17,534,077)	(16,471,971)	(15,352,943)
Business type activities	1,563,438	(1,609,600)	(1,485,822)	(677,665)	(1,523,117)
Total primary government net expense	<u>\$ (15,034,988)</u>	<u>\$ (18,041,012)</u>	<u>\$ (19,019,899)</u>	<u>\$ (17,149,636)</u>	<u>\$ (16,876,060)</u>

City of Ridgecrest
Schedule 2
Changes in Net Position (Continued)
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Years				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	1,976,015	2,125,926	1,600,406	1,967,098	3,284,155
Sales taxes	6,535,498	5,974,873	5,681,776	5,314,304	4,440,039
Transient occupancy taxes	1,585,442	1,443,149	1,218,081	1,150,741	1,094,855
Special assessments	392,664	1,639,143	282,488	74,113	170,658
Other taxes	709,003	714,218	703,389	694,879	720,671
Investment earnings	86,111	33,919	18,355	20,619	21,423
Miscellaneous	192,484	1,124,780	357,064	396,063	973,607
Gain (loss) on disposal of capital assets	-	-	-	-	-
Loss from dissolution of former RDA	-	-	-	-	-
Revenues from Fiduciary Fund	5,085,152	3,735,484	5,154,181	2,278,026	706,518
Transfers	690,252	1,037,827	615,822	263,539	532,690
Total governmental activities	<u>17,252,621</u>	<u>17,829,319</u>	<u>15,631,562</u>	<u>12,159,382</u>	<u>11,944,616</u>
Business type activities:					
Other taxes	618,970	721,500	577,392	614,050	768,613
Investment earnings	147,005	84,815	48,259	41,852	40,947
Miscellaneous	11,638	19,398	18,870	9,969	35,843
Capital Contribution	-	-	-	-	-
Transfers	(690,252)	(1,037,827)	(615,822)	(263,539)	(532,690)
Total business type activities	<u>87,361</u>	<u>(212,114)</u>	<u>28,699</u>	<u>402,332</u>	<u>312,713</u>
Total primary government	<u>\$ 17,339,982</u>	<u>\$ 17,617,205</u>	<u>\$ 15,660,261</u>	<u>\$ 12,561,714</u>	<u>\$ 12,257,329</u>
Change in Net Position					
Governmental activities	5,718,789	5,235,360	8,314,367	(1,953,881)	1,595,043
Business type activities	4,484,417	2,607,600	1,427,379	1,198,241	215,667
Total primary government	<u>\$ 10,203,206</u>	<u>\$ 7,842,960</u>	<u>\$ 9,741,746</u>	<u>\$ (755,640)</u>	<u>\$ 1,810,710</u>

City of Ridgecrest
Schedule 2
Changes in Net Position (Continued)
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Years				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	6,252,553	9,616,160	10,044,411	9,915,676	9,573,705
Sales taxes	3,171,044	3,020,160	2,856,313	3,297,900	2,996,734
Transient occupancy taxes	1,151,215	1,144,883	1,411,903	1,347,063	1,168,986
Special assessments	292,654	-	-	-	-
Other taxes	573,695	1,771,046	1,838,583	1,613,908	2,520,571
Investment earnings	111,677	261,784	131,130	99,550	743,954
Miscellaneous	409,138	245,232	116,840	1,180,496	868,501
Gain (loss) on disposal of capital assets	-	-	-	-	-
Loss from dissolution of former RDA	(8,072,793)	-	-	-	-
Revenues from Fiduciary Fund	571,414	-	-	-	-
Transfers	(3,777,827)	523,727	470,400	444,799	1,318,981
Total governmental activities	<u>682,770</u>	<u>16,582,992</u>	<u>16,869,580</u>	<u>17,899,392</u>	<u>19,191,432</u>
Business type activities:					
Other taxes	890,633	248,368	665,449	776,431	563,141
Investment earnings	39,196	45,705	127,570	349,595	596,679
Miscellaneous	156,383	8,086	8,150	12,227	10,737
Capital Contribution	-	-	-	-	-
Transfers	3,777,827	(523,727)	(470,400)	(444,799)	(1,318,981)
Total business type activities	<u>4,864,039</u>	<u>(221,568)</u>	<u>330,769</u>	<u>693,454</u>	<u>(148,424)</u>
Total primary government	<u>\$ 5,546,809</u>	<u>\$ 16,361,424</u>	<u>\$ 17,200,349</u>	<u>\$ 18,592,846</u>	<u>\$ 19,043,008</u>
Change in Net Position					
Governmental activities	(15,915,656)	151,580	(664,497)	1,427,421	3,838,489
Business type activities	6,427,477	(1,831,168)	(1,155,053)	15,789	(1,671,541)
Total primary government	<u>\$ (9,488,179)</u>	<u>\$ (1,679,588)</u>	<u>\$ (1,819,550)</u>	<u>\$ 1,443,210</u>	<u>\$ 2,166,948</u>

City of Ridgecrest
Schedule 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Years				
	2017	2016	2015	2014	2013
General fund					
Nonspendable	\$ 56,345	\$ 232	\$ 525	\$ 996	\$ 1,935
Restricted	480,047	341,946	247,365	213,216	300,242
Committed	-	-	-	-	-
Assigned	957,258	357,412	1,051,917		-
Unassigned	(18,602)	1,017	(2,300,838)	(2,533,123)	(2,491,783)
Total general fund	<u>1,475,048</u>	<u>700,607</u>	<u>(1,001,031)</u>	<u>(2,318,911)</u>	<u>(2,189,606)</u>
All other governmental funds					
Nonspendable	4,629,159	5,114,159	5,584,159	6,034,159	6,464,159
Restricted	4,881,004	4,488,041	2,978,577	3,341,192	3,065,829
Committed	630,079	577,399	555,508	923,079	544,340
Assigned	437,944	676,411	595,888	206,500	466,216
Unassigned	(75,206)	(36,194)	(19,831)	-	838,902
Total all other governmental fund	<u>\$ 10,502,980</u>	<u>\$ 10,819,816</u>	<u>\$ 9,694,301</u>	<u>\$ 10,504,930</u>	<u>\$ 11,379,446</u>
TOTAL FUND BALANCES	\$ 11,978,028	\$ 11,520,423	\$ 8,693,270	\$ 8,186,019	\$ 9,189,840

City of Ridgecrest
Schedule 3
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Years				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	69,667	164,835	302,583	665,322	465,103
Committed			-	-	-
Assigned		375,678	-	-	-
Unassigned	(4,300,138)	(613,171)	236,708	903,897	1,124,552
Total general fund	<u>(4,230,471)</u>	<u>(72,658)</u>	<u>539,291</u>	<u>1,569,219</u>	<u>1,589,655</u>
All other governmental funds					
Nonspendable	6,874,159	-			
Restricted	3,412,004	44,735,139	11,019,602	11,158,572	11,121,284
Committed	527,029	30,421			
Assigned	274,695	4,208,621			
Unassigned	(339,858)	(164,741)	13,937,333	12,508,015	7,437,018
Total all other governmental fund	<u>\$ 10,748,029</u>	<u>\$ 48,809,440</u>	<u>\$ 24,956,935</u>	<u>\$ 23,666,587</u>	<u>\$ 18,558,302</u>
TOTAL FUND BALANCES	\$ 6,517,558	\$ 48,736,782	\$ 25,496,226	\$ 25,235,806	\$ 20,147,957

City of Ridgecrest
Schedule 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Years				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues					
Taxes	\$ 11,510,228	\$ 10,968,507	\$ 10,030,177	\$ 9,880,106	\$ 11,295,144
Intergovernmental	2,965,293	2,128,892	9,384,909	1,906,762	2,699,957
Licenses, permits and fees	796,224	2,299,752	549,406	256,780	361,759
Fines and forfeitures	70,153	57,869	72,806	84,493	115,390
Use of money and property	271,516	220,630	253,342	245,182	135,907
Charges for services	548,420	552,666	553,864	389,830	492,815
Assessment levied	32,068	19,676	10,526	10,526	4,393
Transfers from Fiduciary Fund	5,085,152	3,735,484	5,154,181	2,278,026	706,518
Other revenue	241,083	1,141,106	358,840	403,262	990,033
Total revenues	<u>21,520,137</u>	<u>21,124,582</u>	<u>26,368,051</u>	<u>15,454,967</u>	<u>16,801,916</u>
Expenditures					
General Government	1,859,295	1,840,348	2,540,062	2,170,611	1,544,277
Public safety	6,562,421	7,000,933	7,315,370	7,513,168	6,230,447
Public works	1,473,982	356,541	438,038	392,764	165,284
Transportation	-	2,206,292	3,805,537	2,109,108	659,715
Community development	922,933	1,109,245	725,192	619,829	756,476
Health	34,707	-	-	-	-
Culture and leisure	1,591,654	1,371,883	1,449,654	1,250,608	1,557,343
Capital outlay	7,488,021	4,274,384	9,244,943	1,963,373	2,867,058
Debt service:					
Principal	485,000	470,000	562,689	537,102	534,190
Interest	262,216	281,766	301,407	328,494	354,312
Cost of Issuance	-	-	-	-	-
Total expenditures	<u>20,680,229</u>	<u>18,911,392</u>	<u>26,382,892</u>	<u>16,885,057</u>	<u>14,669,102</u>
Excess of revenues over (under) expenditures	<u>839,908</u>	<u>2,213,190</u>	<u>(14,841)</u>	<u>(1,430,090)</u>	<u>2,132,814</u>
Other financing sources (uses)					
Proceeds from capital lease	-	-	-	-	-
Bond discount	-	-	-	-	-
Transfers in	3,329,759	3,546,397	3,424,771	2,771,099	3,211,991
Transfers out	<u>(3,712,062)</u>	<u>(2,932,464)</u>	<u>(2,902,679)</u>	<u>(2,344,830)</u>	<u>(2,672,523)</u>
Total other financing sources (uses)	<u>(382,303)</u>	<u>613,933</u>	<u>522,092</u>	<u>426,269</u>	<u>539,468</u>
Net change in fund balances	<u>\$ 457,605</u>	<u>\$ 2,827,123</u>	<u>\$ 507,251</u>	<u>\$ (1,003,821)</u>	<u>\$ 2,672,282</u>
Debt service as a percentage of non-capital expenditures	5.7%	5.1%	5.0%	5.8%	7.5%

City of Ridgecrest
Schedule 4
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Years				
	2012	2011	2010	2009	2008
Revenues					
Taxes	\$ 11,696,784	\$ 15,793,330	\$ 15,530,273	\$ 16,223,465	\$ 16,313,383
Intergovernmental	2,353,056	2,602,093	2,575,356	2,111,122	2,309,609
Licenses, permits and fees	506,334	721,502	986,291	490,564	587,531
Fines and forfeitures	77,254	87,534	131,851	110,785	99,751
Use of money and property	240,867	392,414	255,750	422,410	673,407
Charges for services	569,653	633,109	828,784	656,543	816,897
Assessment revenues	-	-	-	-	-
Transfers from Fiduciary Fund	571,414				
Other revenue	369,651	226,512	127,332	850,061	1,033,309
Total revenues	<u>16,385,013</u>	<u>20,456,494</u>	<u>20,435,637</u>	<u>20,864,950</u>	<u>21,833,887</u>
Expenditures					
General Government	1,916,341	672,184	934,445	1,083,484	1,479,393
Public safety	6,872,186	7,190,421	7,302,660	7,248,370	6,972,804
Public works	376,341	466,230	323,167	2,056,584	897,772
Transportation	1,087,475	1,100,140	1,174,816	-	-
Community development	4,450,458	2,546,036	5,370,242	2,543,211	2,283,268
Health	-	-	205	61,417	156,948
Culture and leisure	1,604,073	1,847,674	1,899,143	2,184,997	2,095,579
Capital outlay	1,319,036	6,368,168	1,321,645	-	1,275,392
Debt service:					
Principal	534,418	7,901,849	1,109,695	1,065,747	1,075,690
Interest	1,356,477	2,410,055	900,785	932,768	978,031
Cost of Issuance	-	262,832	-		
Total expenditures	<u>19,516,805</u>	<u>30,765,589</u>	<u>20,336,803</u>	<u>17,176,578</u>	<u>17,214,877</u>
Excess of revenues over (under) expenditures	<u>(3,131,792)</u>	<u>(10,309,095)</u>	<u>98,834</u>	<u>3,688,372</u>	<u>4,619,010</u>
Other financing sources (uses)					
Proceeds from capital lease	-	34,380,000	231,645	-	-
Bond discount	-	(725,259)	-	-	-
Transfers in	5,288,101	14,026,383	10,627,925	10,114,766	8,591,148
Transfers out	<u>(8,137,761)</u>	<u>(14,131,473)</u>	<u>(10,697,985)</u>	<u>(8,715,289)</u>	<u>(7,335,901)</u>
Total other financing sources (uses)	<u>(2,849,660)</u>	<u>33,549,651</u>	<u>161,585</u>	<u>1,399,477</u>	<u>1,255,247</u>
Net change in fund balances	<u>\$ (5,981,452)</u>	<u>\$ 23,240,556</u>	<u>\$ 260,419</u>	<u>\$ 5,087,849</u>	<u>\$ 5,874,257</u>
Debt service as a percentage of non-capital expenditures	10.4%	42.3%	10.6%	11.6%	12.9%

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Ridgecrest
Schedule 5
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years (modified accrual basis of accounting)

Sources of Tax Revenues	Business <u>Licenses</u>	Franchise <u>Fees</u>	Property <u>Tax</u>¹	Sales <u>Tax</u>³	Transient <u>Occupancy</u>	Gas <u>Tax</u>²	<u>TOTAL</u>
2016-2017	144,905	696,403	2,071,401	6,452,685	1,585,442	459,629	11,410,464
2015-2016	149,850	702,751	2,125,926	5,974,873	1,443,149	549,595	10,946,144
2014-2015	153,909	691,617	1,600,406	5,694,928	1,218,081	755,236	10,114,177
2013-2014	141,689	682,692	1,967,098	5,465,676	1,150,741	856,525	10,264,420
2012-2013	142,744	705,946	3,284,155	4,440,039	1,094,855	612,967	10,280,706
2011-2012	148,213	573,695	6,252,553	3,171,044	1,151,215	765,633	12,062,353
2010-2011	139,663	464,083	9,616,160	3,020,160	1,144,883	726,188	15,111,137
2009-2010	137,487	542,910	10,044,411	2,856,313	1,411,903	427,938	15,420,962
2008-2009	150,431	595,356	9,915,676	3,297,900	1,347,063	429,560	15,735,986
2007-2008	161,156	655,350	9,573,705	2,996,734	1,168,986	465,806	15,021,737

NOTES:

- 1) Property tax amounts include state reimbursement of homeowners property tax relief and real property transfer tax and property tax in lieu of MVLF. Property tax for fiscal years 2012 and earlier included redevelopment tax increment.
- 2) Increase in Gas Tax from FY 2010 onward was due to the "Fuel Tax Swap of 2010". This was the addition of Section 2103 fund allocation from a new motor vehicle excise tax that replace the allocation from Prop. 42 sales tax on gasoline. Figures for fiscal years 2010 and earlier did not include the Prop. 42 revenue.
- 3) The City passed "Measure L" allowing an additional increase of 0.75% in the local sale tax rate. This local measure became effective on October 1, 2012 and ended on March 31, 2017 when it was replaced by "Measure V" allowing an increase 1% in the local sales tax rate. Measure V becomes effective April 1, 2017 and will sunset on March 31, 2025

City of Ridgecrest
Schedule 6
Assessed Value of Taxable Property
Last Ten Fiscal Years

<u>CATEGORY</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>
Residential	1,167,123,275	1,068,010,028	1,092,525,005	1,069,793,922	1,073,678,607
Commercial	240,625,807	225,510,393	223,912,566	233,678,787	233,122,309
Industrial	18,977,532	18,074,075	17,932,576	18,100,825	18,635,376
Government	5,017	59,571	64,153	171,731	168,551
Institutional	12,330,675	11,065,209	9,867,943	11,683,412	19,549,674
Miscellaneous	164,278	161,811	158,642	157,926	154,830
Recreational	10,172,213	8,412,087	8,131,483	8,120,756	7,863,497
Vacant Land	51,949,910	55,352,678	57,178,455	59,944,917	63,789,381
SBE Non-Unitary	1,089	800	89,975	89,975	863,043
Unsecured	33,221,298	33,975,856	36,089,423	35,264,251	40,690,119
Exempt	(5,632,678)	(5,519,156)	(5,116,781)	(4,865,220)	(4,632,331)
Unknown	-	-	-	-	-
TOTALS	1,534,571,094	1,420,622,508	1,445,950,221	1,437,006,502	1,458,515,387
Total Direct Rate	0.06442%	0.06443%	0.06443%	0.06459%	0.68945%

NOTES:

Exempt values are not included in Total

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

* Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

City of Ridgecrest
Schedule 6
Assessed Value of Taxable Property (Continued)
Last Ten Fiscal Years

<u>CATEGORY</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Residential	1,107,100,892	1,078,999,165	1,108,999,868	1,084,808,408	1,058,498,321
Commercial	232,239,002	232,784,394	237,376,125	205,319,656	179,110,827
Industrial	18,661,585	18,532,812	17,843,091	18,105,232	17,971,395
Government	165,432	164,272	167,751	161,605	128,221
Institutional	8,442,440	8,534,530	8,540,128	14,877,479	15,142,018
Miscellaneous	237,022	235,252	240,526	238,916	234,383
Recreational	8,968,482	5,308,333	5,603,484	5,000,813	4,698,128
Vacant Land	73,750,197	72,475,273	75,024,042	71,345,463	65,109,045
SBE Non-Unitary	863,043	842,761	842,761	842,761	842,761
Unsecured	38,000,781	34,479,690	38,641,463	38,435,738	29,790,351
Exempt	(4,320,437)	(4,173,918)	(4,314,950)	(4,173,979)	(4,178,993)
Unknown	-	-	-	543,791	662,290
TOTALS	1,488,428,876	1,452,356,482	1,493,279,239	1,439,679,862	1,372,187,740
Total Direct Rate	0.69386%	0.68764%	0.69471%	0.68295%	0.67271%

NOTES:

Exempt values are not included in Total

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

* Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

City of Ridgecrest
Schedule 7
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years (RATE PER \$100 OF TAXABLE VALUE)

10 Year Detail of Rates producing Revenue for City of Ridgecrest					
City General Fund Direct Rates				RDA Incremental Rate ²	Total Direct Rate ⁵
City Share of 1%					
Year	Levy per Prop. 13	Debt Rate(s)	Total City Rates	1% + applicable voter approved debt	
2016-2017	0.05190%	0.00000%	0.05190%	-	0.06442%
2015-2016	0.05190%	0.00000%	0.05190%	-	0.06443%
2014-2015	0.05190%	0.00000%	0.05190%	-	0.06443%
2013-2014	0.05190%	0.00000%	0.05190%	-	0.06459%
2012-2013	0.05468%	0.00000%	0.05468%	-	0.68945%
2011-2012	0.05469%	0.00000%	0.05469%	1.00000%	0.69386%
2010-2011	0.05469%	0.00000%	0.05469%	1.00000%	0.68764%
2009-2010	0.05196%	0.00000%	0.05196%	1.00000%	0.69471%
2008-2009	0.05196%	0.00000%	0.05196%	1.00000%	0.68295%
2007-2008	0.05175%	0.00000%	0.05175%	1.00000%	0.67271%

10 Year Detail Breakdown of the Property Tax Dollar										
Agency	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
City of Ridgecrest¹	0.05190	0.05190	0.05190	0.05190	0.05468	0.05469	0.05469	0.05196	0.05196	0.05175
Sierra Sands Child Dev	0.00000	0.00509	0.00509	0.00509	0.00000	0.00509	0.00509	0.00509	0.00509	0.00000
County Advertising	0.00075	0.00074	0.00072	0.00069	0.00069	0.00070	0.00070	0.00070	0.00070	0.00070
East Kern Res Con	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066	0.00066
Education	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917	0.01917
Education Revenue										
Augmentation Fund	0.15040	0.12500	0.12510	0.12510	0.12712	0.12210	0.12211	0.12490	0.12490	0.12900
Fire	0.08550	0.10580	0.10580	0.10580	0.10580	0.10580	0.10580	0.10580	0.10580	0.10560
Kern Community College	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06789	0.06770
Kern County	0.14110	0.14110	0.14110	0.14110	0.14140	0.14130	0.14130	0.14130	0.14130	0.14263
Kern County Water Agency	0.00718	0.00718	0.00718	0.00718	0.00718	0.00719	0.00718	0.00718	0.00719	0.00719
Sierra Unified School	0.47560	0.47560	0.47560	0.47561	0.47560	0.47560	0.47560	0.47560	0.47560	0.47560
TOTAL PROP. 13 RATE⁴	1.00000									
Kern Community College	0.01318	0.01357	0.01045	0.01264	0.00850	0.00906	0.01012	0.00940	0.00905	0.00804
Sierra Sand Unified School District	0.06412	0.06697	0.06163	0.06261	0.05698	0.05833	0.05688	0.05113	0.04077	0.04231
Total Voter Approved Rate³	0.07730	0.08055	0.07208	0.07525	0.06548	0.06739	0.06700	0.06053	0.04982	0.05035
TOTAL TAX RATE	1.07730	1.08055	1.07208	1.07525	1.06548	1.06739	1.06700	1.06053	1.04982	1.05035

NOTES:

1) City share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

2) Redevelopment rate is based on the largest RDA tax rate area and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/2013 and years thereafter.

3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

4) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

5) Total Direct Rate is the weighted average of all individual direct rates applied by the City of Ridgecrest and excludes revenues derived from aircraft. Beginning in FY 2013/2014 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

City of Ridgecrest
Schedule 8
Top Ten Principal Property Taxpayers
Fiscal Year 2017 and Ten Years Prior

<u>Taxpayer</u>	<u>2016-2017</u>			<u>2007-2008</u>		
	<u>Rank</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Rank</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total Taxable Assessed Value</u>
K Partners Ridgecrest I LP	1	\$ 18,303,940	1.19%			
Ridgecrest Regional Hospital	2	8,519,771	0.56%			
Home Depot Dev Maryland Inc	3	8,237,038	0.54%	2	8,290,916	0.60%
Alta One Federal Credit Union	4	7,513,973	0.49%	9	6,084,445	0.44%
Hix Snedeker Ridgecrest LLC	5	7,235,692	0.47%			
La Mirage Condos LLC	6	6,309,772	0.41%			
Walmart Stores Inc	7	6,246,951	0.41%	4	7,397,456	0.54%
SB North China Lake Road LLC	8	6,005,233	0.39%	10	5,306,039	0.39%
Benderson Randall 1993-1 Trust	9	6,000,000	0.39%			
El Rey Properties	10	5,929,060	0.39%			
Albertson's Inc				1	9,059,741	0.66%
Carriage Inn				3	8,085,126	0.59%
Drummond Medical Group Inc				5	7,193,367	0.52%
Inland Westn MDS Portfolio LLC				6	6,625,920	0.48%
Ridgecrest Heritage Inn				7	6,579,276	0.48%
Pam Ridgecrest Venture LLC				8	6,090,040	0.44%
Top Ten Totals		\$ 80,301,430	5.23%		\$ 70,712,326	5.15%
CITY TOTALS		1,534,571,094			1,372,224,690	

**City of Ridgecrest
Schedule 9
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended <u>June 30</u>	Taxes Levied for the <u>Fiscal Year</u>	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ²	Total Collections to Date	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2017	419,957	416,387	99.15%	-	416,387	99.15%
2016	415,173	321,769	77.50%	-	321,769	77.50%
2015	428,703	332,893	77.65%	-	332,893	77.65%
2014	436,307	347,104	79.55%	3,381	350,485	80.33%
2013	480,951 ¹	408,417	84.92%	33,359	441,776	91.85%
2012	10,336,490	10,192,452	98.61%	69,477	10,261,929	99.28%
2011	10,148,466	9,799,545	96.56%	94,130	9,893,675	97.49%
2010	10,226,667	9,993,536	97.72%	122,080	10,115,616	98.91%
2009	10,276,431	9,719,401	94.58%	119,557	9,838,958	95.74%
2008	9,911,568	8,996,236	90.77%	55,685	9,051,922	91.33%

NOTES:

1) The amounts presented include City property taxes and Redevelopment Agency tax increment for all fiscal years except in fiscal year 2012/2013 and forward

2) Delinquent tax collections are recorded in the current levy year and the County does not give the detail as to the levy year for delinquent tax collections. Delinquent tax collections do not include interest and penalties.

City of Ridgecrest
Schedule 10
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	GOVERNMENTAL ACTIVITIES						Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Redevelopment Bonds ^b	Special Assessment Bonds	Loans Payable	Capital Lease				
2017	5,440,000	-	-	-	-	5,440,000	0.66%	\$ 192	
2016	5,925,000	-	-	-	-	5,925,000	0.74%	\$ 211	
2015	6,395,000	-	-	-	-	6,395,000	0.80%	\$ 225	
2014	6,845,000	-	-	-	112,689	6,957,689	0.83%	\$ 243	
2013	7,275,000	-	-	-	219,790	7,494,790	0.93%	\$ 264	
2012	7,685,000	-	-	-	343,981	8,028,981	1.02%	\$ 286	
2011	8,080,000	34,280,000	-	-	483,399	42,843,399	5.49%	\$ 1,543	
2010	8,460,000	7,290,000	-	400,000	615,249	16,765,249	2.25%	\$ 591	
2009	8,830,000	7,905,000	-	600,000	739,943	18,074,943	2.45%	\$ 647	
2008	9,190,000	8,490,000	115,000	800,000	860,688	19,455,688	2.62%	\$ 694	

NOTES:

- a) See Schedule 15 Demographic and Economic Statistics for personal income and population data
- b) As of February 1, 2012 all redevelopment agencies in California ceased to exist per AB X1 26. The Ridgecrest Redevelopment Agencies's obligations were transferred to the Successor Agency.

City of Ridgecrest
Schedule 11
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	GOVERNMENTAL ACTIVITIES				Total	Percentage of Taxable Assessed Property Values ^a	Per Capita ^b
	General Obligation Bonds	Redevelopment Bonds ^c	Special Assessment Bonds				
2017	5,440,000	-	-		5,440,000	0.35%	\$ 192
2016	5,925,000	-	-		5,925,000	0.39%	\$ 211
2015	6,395,000	-	-		6,395,000	0.45%	\$ 225
2014	6,845,000	-	-		6,845,000	0.47%	\$ 239
2013	7,275,000	-	-		7,275,000	0.51%	\$ 257
2012	7,685,000	-	-		7,685,000	0.53%	\$ 274
2011	8,080,000	34,280,000	-		42,360,000	2.85%	\$ 1,525
2010	8,460,000	7,290,000	-		15,750,000	1.08%	\$ 555
2009	8,830,000	7,905,000	-		16,735,000	1.12%	\$ 599
2008	9,190,000	8,490,000	115,000		17,795,000	1.24%	\$ 635

NOTES:

- a) See Schedule 6 - Assessed Value and Actual Value of Taxable Property
- b) See Schedule 15 - Demographic and Economic Statistics for personal income and population data
- c) As of February 1, 2012 all redevelopment agencies in California ceased to exist per AB X1 26. The Ridgecrest Redevelopment Agencies's obligations were transferred to the Successor Agency.

City of Ridgecrest
Schedule 12
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Debt Outstanding <u>6/30/2017</u>	% <u>Applicable</u> ¹	City's Share of <u>Debt as of 6/30/16</u>
Kern Community College District Safety, Repair & Improvement District	\$ 136,776,081	1.897%	\$ 2,594,642
Kern Community College District School Facilities Improvement District No. 1	40,225,000	1.886%	758,644
Sierra Sands Joint Unified School District	<u>20,181,632</u>	75.441%	<u>15,225,225</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 18,578,511
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Kern County Certificates of Participation	100,162,734	1.852%	1,855,014
Kern County Pension Obligation Bonds	254,188,265	1.852%	4,707,567
Kern County Board of Education Certificates of Participation	38,215,000	1.852%	707,742
Kern County Community College District Certificates of Participation	31,360,000	1.703%	534,061
Kern County Community College District Benefit Obligations	79,740,000	1.703%	1,357,972
Sierra Sands Joint Unified School District General Fund Obligations	16,280,000	75.441%	12,281,795
City of Ridgecrest Certificates of Participation	5,440,000	100.000%	5,440,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 26,884,151
OVERLAPPING TAX INCREMENT DEBT	26,880,000	100.000%	\$ 26,880,000
TOTAL DIRECT DEBT			\$ 5,440,000
TOTAL OVERLAPPING DEBT			\$ 66,902,662
COMBINED TOTAL DEBT			<u>\$ 72,342,662</u> ²

NOTES:

1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property tax value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's local taxable assessed value.

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

City of Ridgecrest
Schedule 13
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>
Assessed value	\$ 1,534,571,094	\$ 1,420,622,508	\$ 1,445,950,221	\$ 1,437,006,502	\$ 1,458,515,387
Debt limit (15% of assessed value)	230,185,664	213,093,376	216,892,533	215,550,975	218,777,308
Debt applicable to limit:					
General obligation bonds	5,440,000	5,925,000	6,395,000	6,845,000	7,275,000
Less: Amount set aside for repayment of general obligation debt	<u>752,188</u>	<u>751,359</u>	<u>751,356</u>	<u>751,356</u>	<u>751,356</u>
Total net debt applicable to limit	<u>4,687,812</u>	<u>5,173,641</u>	<u>5,643,644</u>	<u>6,093,644</u>	<u>6,523,644</u>
Legal Debt Margin	225,497,852	207,919,735	211,248,889	209,457,331	212,253,664
Total debt applicable to the limit as a percentage of debt limit	<u>2.04%</u>	<u>2.43%</u>	<u>2.60%</u>	<u>2.83%</u>	<u>2.98%</u>

NOTES:

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

The percentage of total debt to debt limit has been re-calculated for all the fiscal years. The percentage in prior CAFR was erroneously calculated based on the legal debt margin

City of Ridgecrest
Schedule 13
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years

Legal Debt Margin Calculation	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Assessed value	\$ 1,488,428,876	\$ 1,452,356,482	\$ 1,493,279,239	\$ 1,439,679,862	\$ 1,372,187,740
Debt limit (15% of assessed value)	223,264,331	217,853,472	223,991,886	215,951,979	205,828,161
Debt applicable to limit:					
General obligation bonds	7,685,000	42,360,000	15,750,000	16,735,000	17,795,000
Less: Amount set aside for repayment of general obligation debt	<u>751,356</u>	<u>4,247,727</u>	<u>1,807,736</u>	<u>1,808,337</u>	<u>1,814,042</u>
Total net debt applicable to limit	<u>6,933,644</u>	<u>38,112,273</u>	<u>13,942,264</u>	<u>14,926,663</u>	<u>15,980,958</u>
Legal Debt Margin	216,330,687	179,741,199	210,049,622	201,025,316	189,847,203
Total debt applicable to the limit as a percentage of debt limit	<u>3.11%</u>	<u>17.49%</u>	<u>6.22%</u>	<u>6.91%</u>	<u>7.76%</u>

NOTES:

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

The percentage of total debt to debt limit has been re-calculated for all the fiscal years. The percentage in prior CAFR was erroneously calculated based on the legal debt margin

City of Ridgecrest
Schedule 14
Pledged Revenue Coverage
Last Ten Fiscal Years

SPECIAL ASSESSMENT BONDS

<u>Fiscal</u> <u>Year</u>	<u>Special</u> <u>Assessment</u> <u>Collections</u>	<u>Current</u> <u>Account</u> <u>Balance</u>	<u>Debt Service</u>		<u>Coverage</u>
			<u>Principal</u>	<u>Interest</u>	
2017	-	24,659	-	-	-
2016	-	24,659	-	-	-
2015	-	24,659	-	-	-
2014	-	24,659	-	-	-
2013	-	24,659	-	-	-
2012	-	24,659	-	-	-
2011	-	24,659	-	-	-
2010	-	24,659	-	-	-
2009	-	125,700	115,000	4,773	1.05
2008	116,927	125,700	105,000	13,903	2.04

**City of Ridgecrest
Schedule 15
Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Personal Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment**</u>	<u>Unemployment Rate</u>
2017	28,349	825,463,347	29,118	35.4	5,495	7.00%
2016	28,064	796,099,346	28,367	35.6	5,384	6.90%
2015	28,419	802,997,317	28,256	35.0	5,367	6.90%
2014	28,638	835,599,564	29,178	35.8	5,316	6.70%
2013	28,348	808,463,982	28,519	33.8	5,358	7.60%
2012	28,089	789,556,510	28,109	36.1	5,378	7.90%
2011	27,768	780,176,392	28,096	33.8	5,511	8.30%
2010	28,362	745,268,274	26,277	30.9	5,652	8.30%
2009	27,951	737,095,821	26,371	31.8	5,690	5.50%
2008	28,038	743,680,000	26,524	n/a	5,727	4.60%

NOTES:

Population projections are provided by California Department of Finance

Income Data is provided by the United States Census Data and is adjusted for inflation

Unemployment rates are provided by the EDD, Bureau of Labor Statistics Department

** School Enrollment includes enrollment from the school district and charter school.

n/a = not available

Source: MuniServices, LLC
www.cde.ca.gov

**City of Ridgecrest
Schedule 16
Principal Employers
Fiscal Year 2017 and Ten Years Prior**

<u>Employer</u>	<u>2016-2017</u>			<u>2007-2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Naval Air Weapons Station China Lake*	7,300	1	51.77%	5928	1	38.49%
Ridgecrest Regional Hospital	854	2	6.06%	400	5	2.60%
Searles Valley Minerals	650	3	4.61%	650	3	4.22%
Sierra Sands Unified School District	609	4	4.32%	680	2	4.42%
Walmart	210	5	1.49%	275	7	1.79%
Cerro Coso Community College	159	6	1.13%	371	6	2.41%
Alta One Credit Union	149	7	1.06%			
Albertson's Inc	145	8	1.03%	165	9	1.07%
Jacobs Technology	144	9	1.02%	457	4	2.97%
City of Ridgecrest	123	10	0.87%	175	8	1.14%
SA-Tech (System Application & Tech)				156	10	1.01%
			73.35%			60.11%
	Total City Employment**		14,100			15,400

NOTES:

* Includes civilians, military, and contractors

** Total city employment was provided by EDD Labor Force Data

Source: MuniServices LLC

City of Ridgecrest
Schedule 17
Full Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years (As of June 30)

FUNCTION/PROGRAM	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government										
City Council	5	5	5	5	5	5	5	5	5	5
City Manager	1	1.4	1.5	1	1	1	3	3	4.5	4
City Clerk	1	1.05	1	1	1	1	1	1.25	1	1.5
Finance	6	6	5.5	5.5	5	6	6	6	6	12
Information Technology	2	2	2	2	2	3	3	3.5	3.5	
Human Resources	1	1	1.5	1.5	1	0	1.5	1.5	1.5	1.5
Community Development	5.5	4.55	4.5	5	5	6	8	8	8	8
Planning Commissioners	5	5	5	5	5	5	5	5	5	5
Public Safety										
Police Officers-Sworn	32	32	32	32	31	31	34	35	33	37
Other Full Time Employees	19	17	17	17	14.5	16	16	15.75	16	16.25
PACT Volunteers	84	82	89	83	45	50	9	9	9	9
Public Works										
Engineering	5	4	4	3	3	4	4	4	3	4
Maintenance	7	7	7	7	6	7	8	8	9	8
Transit Services	8	8	8	8	8	7	7	7	7	7.5
Wastewater/Sewer	5	5	5	5	4	4	6	7	6	5
Culture & Recreation	19.2	30	27	24	23	39	32.5	22.5	29	31.97

City of Ridgecrest
Schedule 18
Operating Indicators by Function/Program
Last Ten Fiscal Years (As of June 30)

FUNCTION/PROGRAM	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Police					
Physical Arrests	2972	1495	2805	1281	2346
Parking Violations	195	126	148	114	293
Traffic Violations	325	408	458	792	1540
Community Development					
Building Permits Issued	1655	1305	604	1020	705
Building Permits Valuation (in millions)	17	21	6	9	5
Building Inspections Performed	3523	2718	2684	1925	1603
Planning Permits Issued	see note b	see note b	173	163	137
Public Services					
Street Resurfacing (miles)	8.8	7	8	1.8	2
Street Light Replacement ^a	n/a	n/a	n/a	n/a	n/a
Potholes Filled	1,650	1,800	2,200	2,400	3,600
Waste Water Average Daily Treatment (millions of gallons)	2.48	2.18	2.16	2.33	2.31
Transit Route (Service) Miles	98,317	97,006	96,112	95,869	76,849
Transit Passenger Count	15,957	13,629	17,101	17,724	13,516
Parks & Recreation					
Sports Field Participation	129,869	103,449	81,259	75,113	70,917
Community Center/Gym/Pool Participation	69,707	76,259	105,984	103,218	95,785
Other Participation	65,605	36,094	65,713	72,615	45,312

NOTES:

- a) Street light replacement is done by Southern California Edison
- b) Unable to get the data due to departure of the City Planner as part of cost cutting measure

City of Ridgecrest
Schedule 18
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years (As of June 30)

FUNCTION/PROGRAM	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Police					
Physical Arrests	2417	2416	2605	2667	2,213
Parking Violations	188	97	237	278	294
Traffic Violations	937	1150	2054	2034	1,439
Community Development					
Building Permits Issued	302	423	439	144	212
Building Permits Valuation (in millions)	19	13	18	12	22
Building Inspections Performed	4299	2510	2759	5086	3,861
Planning Permits Issued	113	69	77	161	137
Public Services					
Street Resurfacing (miles)	2.5	2.5	1	3	0.5
Street Light Replacement ^a	n/a	n/a	n/a	n/a	n/a
Potholes Filled	2,783	2,565	540	600	3,500
Waste Water Average Daily Treatment (millions of gallons)	2.52	2.621	2.674	2.57	2.65
Transit Route (Service) Miles	64,438	92,925	61,092	86,965	91,178
Transit Passenger Count	17,131	27,223	12,977	27,478	35,595
Parks & Recreation					
Sports Field Participation	85,409	89,293	89,735	91,359	88,078
Community Center/Gym/Pool Participation	90,655	68,325	68,645	73,499	67,421
Other Participation	45,816	35,370	35,370	35,370	35,730

NOTES:

- a) Street light replacement is done by Southern California Edison
- b) Unable to get the data due to departure of the City Planner as part of cost cutting measure

City of Ridgecrest
Schedule 19
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

FUNCTION/PROGRAM	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (marked)	20	20	18	17	17	10	13	13	18	16
Motorcycle unit	4	4	5	8	7	3	6	6	2	1
K-9 unit	1	1	1	1	1	1	1	2	1	1
Streets										
Streets (miles)	216	216	216	216	132	131	130	130	130	130
Streetlights ²	1540	1540	1502	1469	1520	1523	1524	1515	1492	1467
Traffic Signals										
CalTrans maintained	7	7	7	7	7	7	7	6	6	6
City of Ridgecrest maintained	14	12	12	10	9	9	9	8	7	7
Culture & Recreation										
Total Park Acreage	46.88	46.88	46.88	46.88	46.88	46.88	46.88	21.88	25.88	25.88
Parks ¹	5	5	5	5	5	5	5	5	6	6
Baseball Fields	4	4	4	4	4	4	4	4	4	4
Softball Fields	3	3	3	3	3	3	3	3	3	3
Soccer Fields	4	4	4	4	4	4	4	4	4	4
Football Fields	1	1	1	1	1	1	1	1	1	1
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Swimming Pools	0	1	1	1	1	1	1	1	1	1
Community Centers	2	2	2	2	2	2	2	2	2	2
Waste Water										
Sanitary Sewers (miles)	142	142	142	142	142*	170	170	165	265	265
Storm Sewers (miles)	5	5	5	5	5	5	5	5	5	2
Treatment Capacity (millions of gallons/day)	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Transit Services										
Minibuses										
Fixed Route	8	8	8	7	6	0	0	0	0	0
Dial A Ride	1	1	2	2	3	5	5	6	7	7
Bus Shelters	10	9	8	8	5	5	5	5	5	5

NOTE:

* FY 2013 sanitary sewer miles were measured using GIS system while the prior fiscal years were measured using curb miles.

1) Hellmer's Park was closed in FY 2010 due to budget cuts and is now the City's solar field.

2) The numbers presented here are for streetlights located within the city limit. Numbers presented in previous CAFR were lights located on city properties



**INDEPENDENT AUDITORS' 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 Honorable Mayor and Members of the City Council
of the City of Ridgecrest
Ridgecrest, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ridgecrest, California (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of the City Council
of the City of Ridgecrest
Ridgecrest, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Santa Ana, California
December 8, 2017