



City of Ridgecrest



CAFR

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

City of Ridgecrest, California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2018

Prepared by the Finance Department

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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CITY OF RIDGECREST

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December 28, 2018

**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, 2018. 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. 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.



CITY OF RIDGECREST

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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 Wells 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 61% 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 3%. California's unemployment rate is 4% while Kern County's rate is 6.6%.

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 \$4.24 million in Measure L and V funds for fiscal year 2018.

The City saw a decrease in community development and new construction for 2018. Building permits issued decreased by 54% from last year's but there increase in valuation. This is primarily due to several major expansions at the Ridgecrest Regional Hospital. As the City leaders continue to concentrate on economic development, these numbers are expected to rise. The following table summarizes the historical data for the local construction activity:



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Year	Permits	Inspections	Valuation
2009	144	5,086	12.1 M
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	1,020	1,925	9.0 M
2015	615	2,688	5.7 M
2016	1,305	2,718	21 M
2017	1,655	3,523	17 M
2018	886	1,924	20 M

Economic Development

Economic Development has a positive outlook for 2019.

- NAWS, the city's top major employer, added a net growth of 200 new employees in 2018. Total hiring was at 640; 225 were new professionals.
- NAWS 2019 Workforce Plan involves hiring another 700 people, 525 total and 190 new professionals at China Lake (goal of 33% new college graduates).
- In a response to concern regarding the lack of appropriate housing options for new professionals, the City is currently assisting two developers who are planning to build two (2) new multi-family apartment complexes totaling 403 new housing units.
- To address the lack of housing the City is not only working with developers to build multi-family apartment complexes, but is also working with builders in an effort to develop single family housing tracts, with two (2) new tracts currently in the development process.
- With only 5% of Hospitality and Food Services establishments in Ridgecrest, the City is looking to expand hospitality services and is currently finalizing plans with two new hotel chains, Towne Home Suites by Marriott and Holiday Inn Express.
- The City continues to attend Economic Development Conferences and remains committed to encouraging future retail development by presenting the significant economic/recruitment opportunities available and assisting with large scale development opportunities.
- Ridgecrest continues to encourage retail growth and potential anchor opportunities and is currently working with a handful of national fast-casual restaurants including: Chipotle, Panda Express, and Panera Bread.

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.

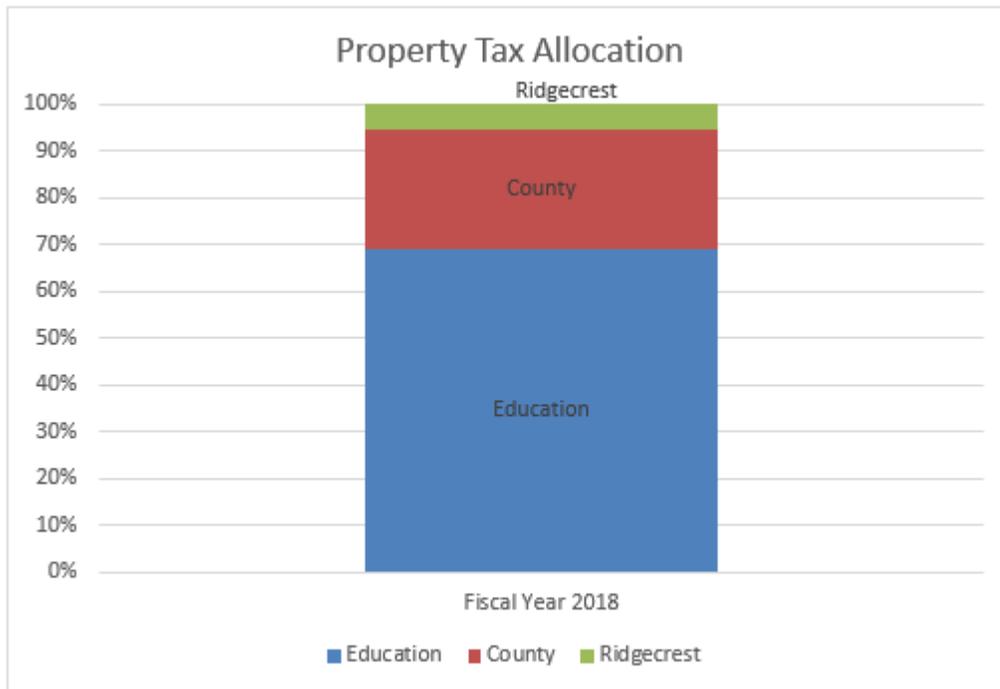


Property Tax

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.

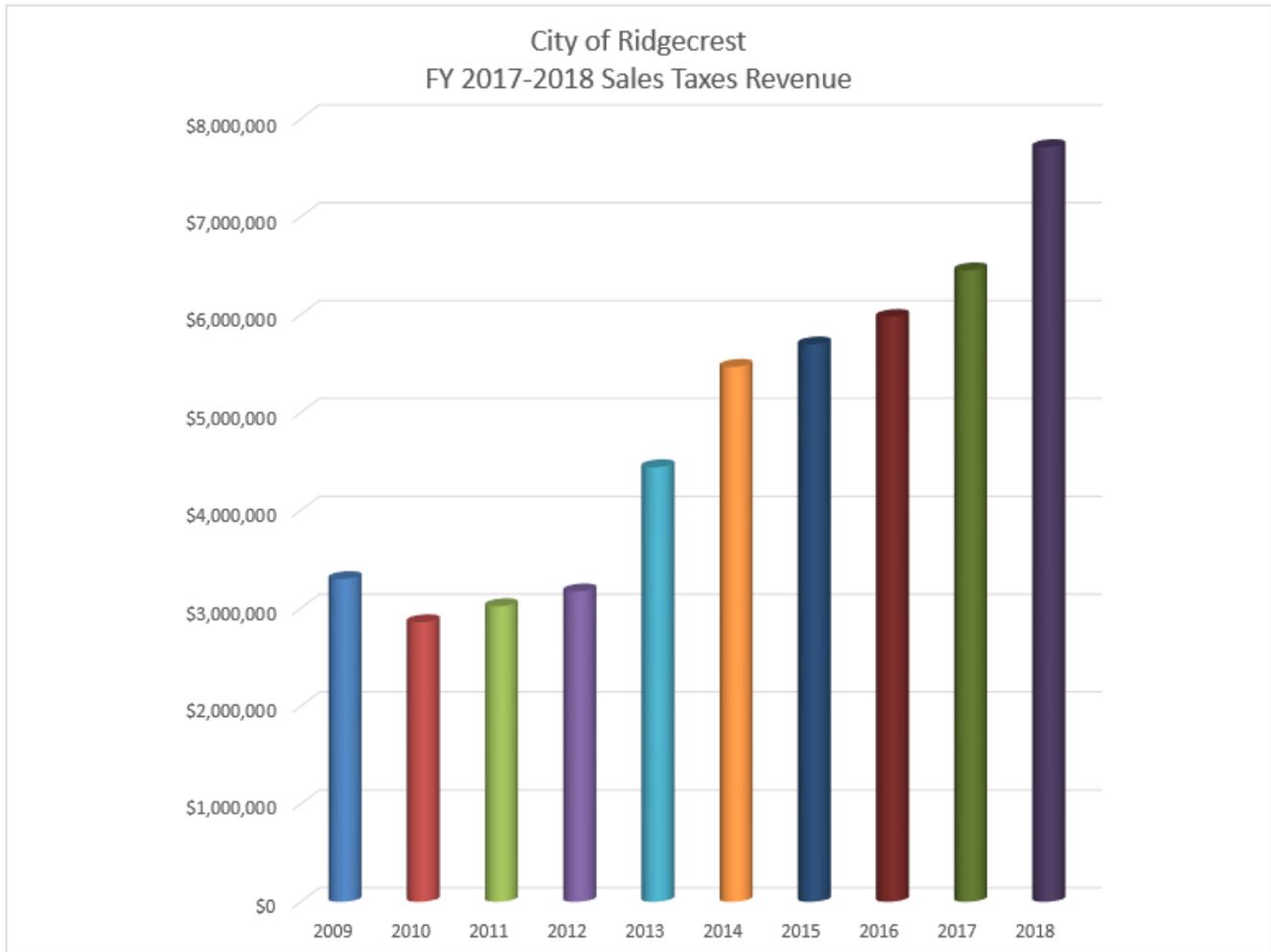




Sales Tax

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 19.5% in FY 2018 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 10.71%, 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, as well as future plans for additional fast-casual restaurants, the City hopes to retain local spending along with drawing retail sales from outlying areas.

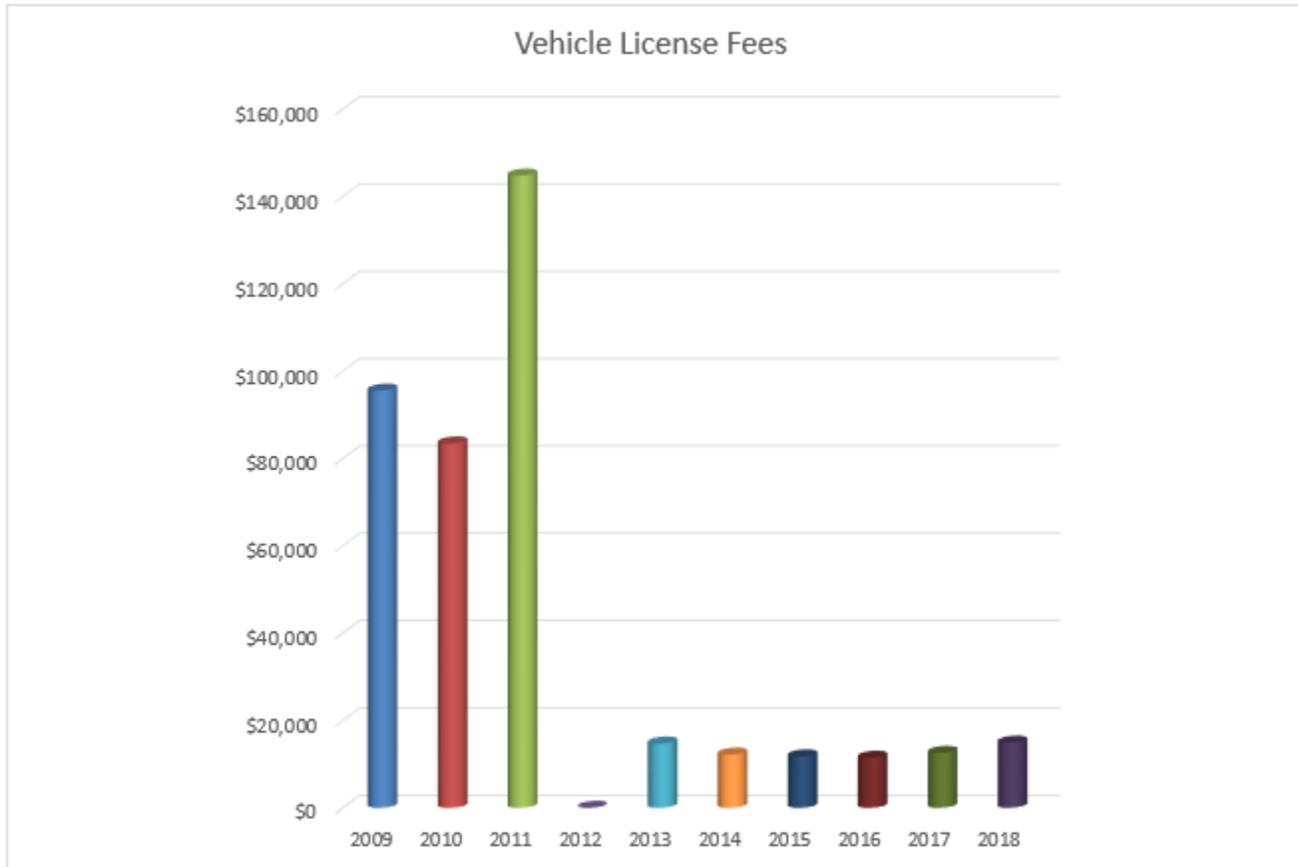


Vehicle License Fees

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 \$14,922 in FY 2018, \$2,350 more than the City received in FY 2017.

The State started the split in FY 2006. The property-tax in lieu of VLF component remained stable in FY 2018 in the amount of \$1,678,395, a slight increase of \$166,707 from FY 2017. 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.



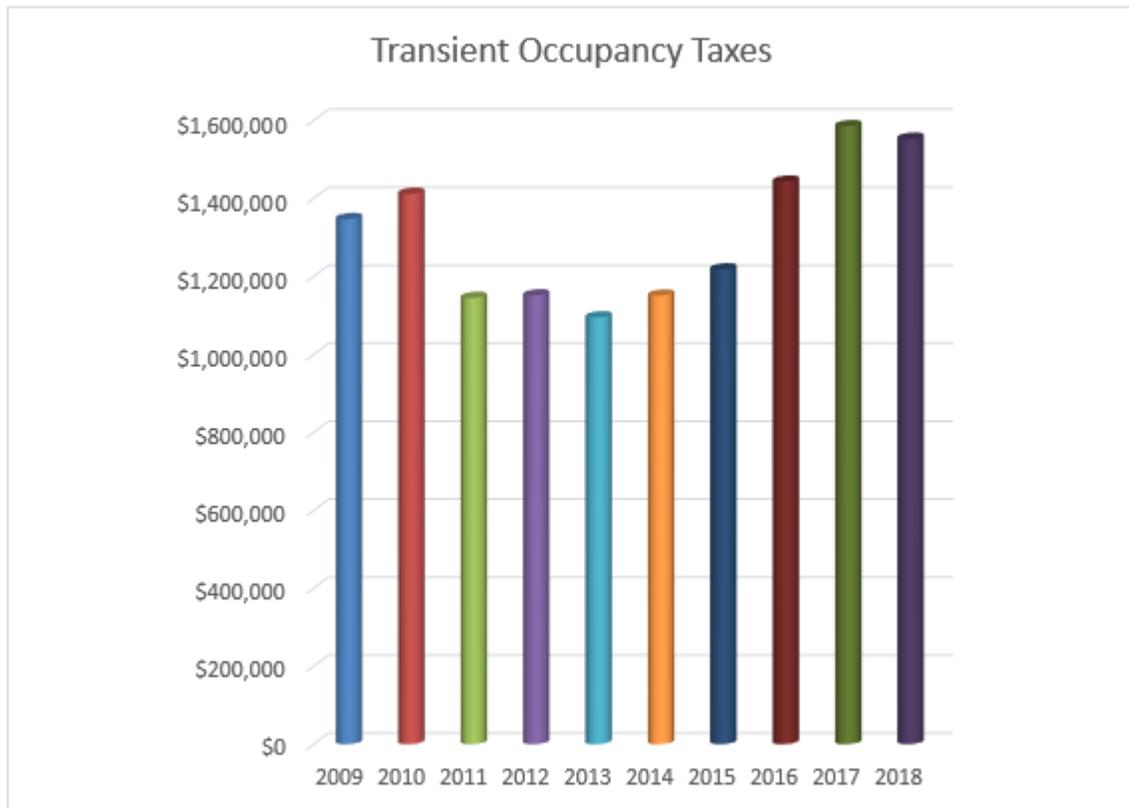
Transient Occupancy Tax

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 13% including the additional assessment of 3% 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 6.4% 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 2018 the City realized a 7.6% increase in TOT revenue which is expected to continue to rise.

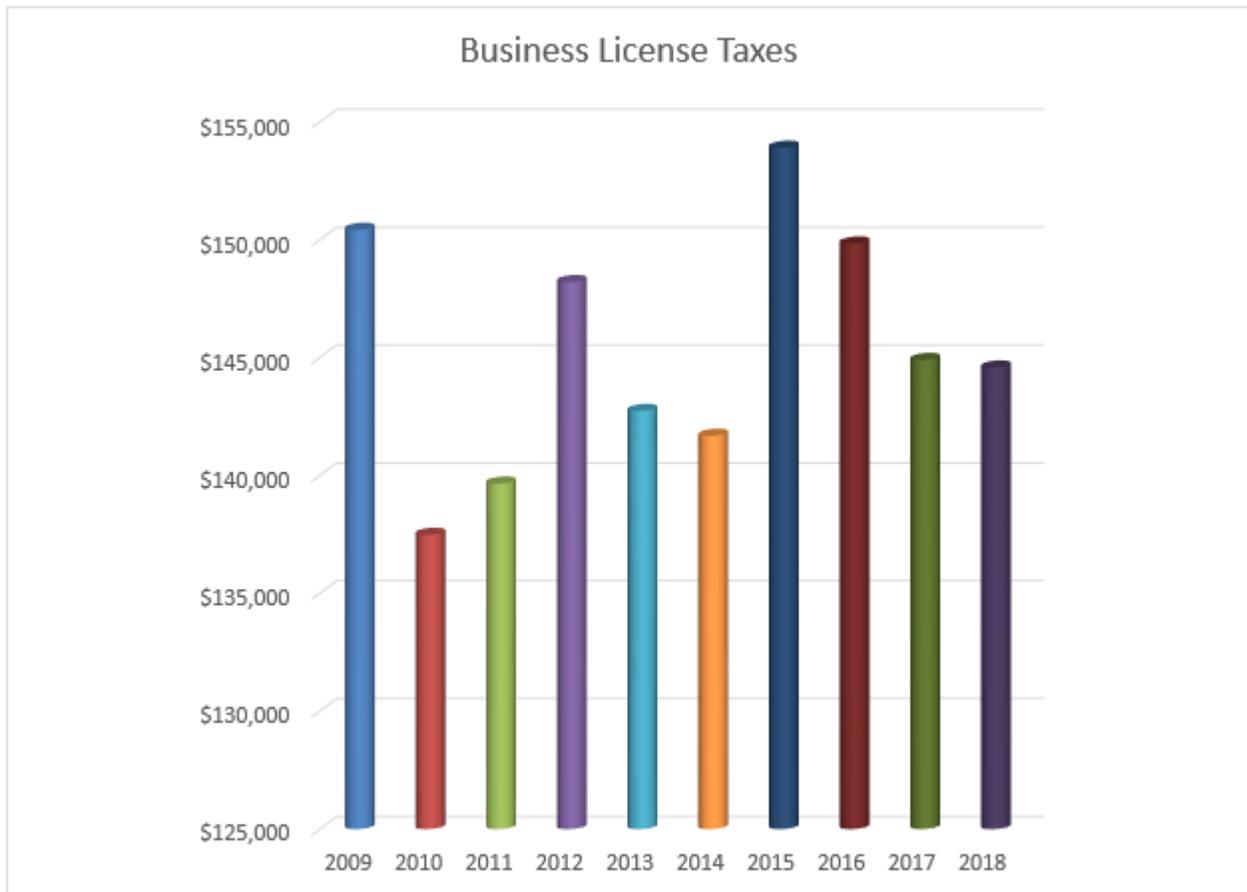
Effective October 1, 2017, lodging operators were required to assess their guests an additional 3%, making the total hotel tax 13%. The additional assessment is a pass through to the RACVB minus collections costs. This will expire ten years from its effective date.



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 2018 saw a decrease of business licenses, with a decrease of .2% 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 decreased an average of 1% annually.



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, 2018 are disclosed in the notes to the financial statements. Appropriations for FY 2018 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."



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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.

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, 2017. 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. 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 2018-19 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 building of two new hotel chains is expected to provide jobs in 2018-2019.

On the negative side, before AB1X 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 2019 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 2019 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 2018 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

Cheri Freese
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, 2017

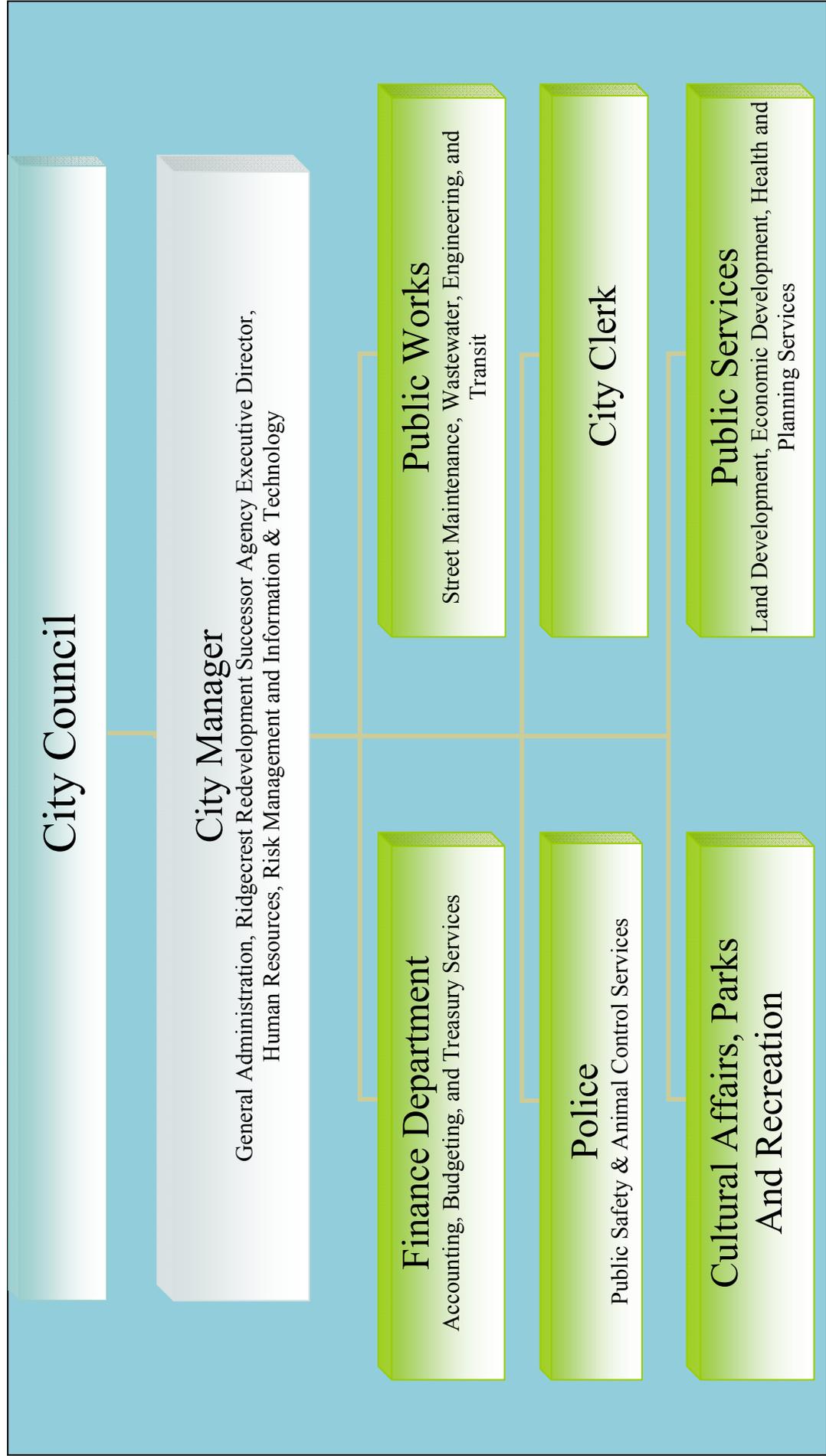
Christopher P. Morill

Executive Director/CEO

CITY OF RIDGECREST

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018





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
Bard Lower, Public Works Director
Jed McLaughlin, Chief of Police
Cheri Freese, 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, 2018, 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.

Auditors' 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, 2018, 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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Emphasis of a Matter

Implementation of GASB Statement No. 75

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net position and as of July 1, 2017 as described in Note 11 to the financial statements. In addition, the other post employment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$893,062 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation to the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions – Pension, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Contributions – 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 our report dated December 28, 2018, 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 solely 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 effectiveness of the City's 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 PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 28, 2018

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Management Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

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, 2018. 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, 2018 by \$92.92 million, this compared to \$86.66 million at fiscal year end June 30, 2017. This is an overall increase of \$6.26 million or an increase of 7.26% of prior year’s net position. Net position for governmental activities exceeded liabilities by \$47.2 million and this compares to \$46.12 million at June 30, 2017 an increase of 2.34%. Assets for business-type activities exceeded liabilities by \$45.68 million compared to \$40.55 million at June 30, 2017, an increase of 12.65%.

Changes in Net Position – The City’s net position increased \$6.26 million in FY 2017-2018; this compared to \$10.2 million increase in FY 2016-2017. Net position of governmental activities increased \$.34 million compared to an increase of \$5.7 million in 2016-2017. Net position of business-type activities increased by \$5.05 million compared to a \$4.5 million increase in FY 2016-2017. This reflects the leveling of the RDA Successor wind-down, Measure V sales tax option, along with the growth of the economy.

♦ *Fund Highlights*

Governmental Funds – At the close of FY 2017-2018 the City’s total governmental funds reported a fund balance of \$8.55 million, a \$3.43 million decrease from the FY 2016-2017 balance of \$11.98 million.

General Fund – The fund balance of the general fund on June 30, 2018 was \$2.69 million, an increase of \$1.21 million from the June 30, 2017 balance of \$1.48 million. 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 AB1X 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.

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:

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

- ♦ 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.

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 governmental-wide financial statements can be found on pages 32 - 34.

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 31-34. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 110-128.

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

- ♦ *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 41-43.
- ♦ *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 55-95.

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 98-105.

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

City of Ridgecrest's Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current & Other Assets	\$ 11,617,743	\$ 15,153,459	\$ 31,235,334	\$ 25,896,663	\$ 42,853,077	\$ 41,050,122
Capital Assets	55,677,430	53,841,633	16,263,175	16,710,100	71,940,605	70,551,733
Total Assets	67,295,173	68,995,092	47,498,509	42,606,763	114,793,682	111,601,855
Deferred Outflow	5,138,944	4,459,753	506,828	634,644	5,645,772	5,094,397
Current Liabilities	3,330,335	3,292,755	287,577	285,822	3,617,912	3,578,577
Long-term Liabilities	21,410,124	22,456,311	1,972,250	2,227,361	23,382,374	24,683,672
Total Liabilities	24,740,459	25,749,066	2,259,827	2,513,183	27,000,286	28,262,249
Deferred Inflow	458,844	814,913	63,020	93,130	521,864	908,043
Investments in Capital						
Net of Related Debt	55,677,430	48,401,633	16,263,175	16,710,100	71,940,605	65,111,733
Restricted	6,470,708	11,058,233	-	-	6,470,708	11,058,233
Unrestricted	(14,913,324)	(12,569,000)	29,419,315	23,924,994	14,505,991	11,355,994
Total Net Position	\$ 47,234,814	\$ 46,890,866	\$ 45,682,490	\$ 40,635,094	\$ 92,917,304	\$ 87,525,960

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$92.9 million at the close of fiscal year ending June 30, 2018.

77.4% 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 (22.6%) 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 2017-18, 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 \$5.39 million during the fiscal year, a 6% 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 (Unaudited) (Continued)
For the Year Ended June 30, 2018

Governmental Activities

Governmental activities increased the City's net position by \$.34 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.

Statement of Activities
For the Year Ended June 30, 2018

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,274,829	\$ 1,432,902	\$ 6,467,405	\$ 6,394,147	\$ 7,742,234	\$ 7,827,049
Operating grants and contributions	1,230,709	1,328,471	87,869	451,898	1,318,578	1,780,369
Capital grants and contributions	699,272	2,196,184	-	-	699,272	2,196,184
Total program revenues	3,204,810	4,957,557	6,555,274	6,846,045	9,760,084	11,803,602
General revenues:						
Property taxes	2,326,379	1,976,015	-	-	2,326,379	1,976,015
Sales taxes	7,783,312	6,535,498	-	-	7,783,312	6,535,498
Transient Occupancy Tax	1,553,230	1,585,442	-	-	1,553,230	1,585,442
Franchise Tax	752,898	696,431	-	-	752,898	696,431
Special Assessments	532,936	392,664	-	-	532,936	392,664
Vehicle in lieu tax	14,922	12,572	505,553	618,970	520,475	631,542
Total Taxes	12,963,677	11,198,622	505,553	618,970	13,469,230	11,817,592
Investment earnings	156,521	86,111	306,226	147,005	462,747	233,116
Miscellaneous	371,280	192,484	12,553	11,638	383,833	204,122
Revenues from Fiduciary Fund	4,562,229	5,085,152	-	-	4,562,229	5,085,152
Transfers	111,008	690,252	(111,008)	(690,252)	-	-
Total general revenues and Transfers	18,164,715	17,252,621	713,324	87,361	18,878,039	17,339,982
Total revenues	21,369,525	22,210,178	7,268,598	6,933,406	28,638,123	29,143,584
Expenses:						
General government	5,019,286	1,751,017	-	-	5,019,286	1,751,017
Public safety	7,079,047	7,311,427	-	-	7,079,047	7,311,427
Public works	5,049,067	4,109,004	-	-	5,049,067	4,109,004
Transportation	87,535	82,051	-	-	87,535	82,051
Community Development	1,011,653	1,089,482	-	-	1,011,653	1,089,482
Health	-	-	-	-	-	-
Culture & Leisure	1,776,087	1,892,820	-	-	1,776,087	1,892,820
Interest on long-term debt	227,286	255,588	-	-	227,286	255,588
Transit	-	-	552,170	849,257	552,170	849,257
Waste Water	-	-	1,579,721	1,599,732	1,579,721	1,599,732
Total expenses	20,249,961	16,491,389	2,131,891	2,448,989	22,381,852	18,940,378
Change in net position	1,119,564	5,718,789	5,136,707	4,484,417	6,256,271	10,203,206
Net position, beginning of year	46,115,250	41,172,077	40,545,783	36,150,677	86,661,033	77,322,754
Restatement due to GASB 75 Implementation	775,616	-	89,311	-	864,926	-
Net position, end of year	\$47,234,814	\$46,890,866	\$45,682,490	\$40,635,094	\$92,917,304	\$87,525,959

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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.
- ♦ 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),
 - Information Technology, 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 \$5.14 million over the prior year compared to an increase of \$4.48 million from FY 2016-2017.

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.

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

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

Governmental Funds

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

- ♦ ***Governmental Funds*** – The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 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 15-16 Amount	Percent of Total	FY 16-17 Amount	Percent of Total	FY 17-18 Amount	Percent of Total
Taxes	\$ 10,968,507	51.9%	\$ 11,510,228	53.5%	\$ 13,152,082	61.1%
Intergovernmental	2,128,892	10.1%	2,965,293	13.8%	1,353,224	6.3%
Licenses, Permits & Fees	2,299,752	10.9%	796,224	3.7%	913,327	4.2%
Fines and Forfeitures	57,869	0.3%	70,153	0.3%	45,540	0.2%
Assessment levied	19,676	0.1%	32,068	0.1%	72,369	0.3%
Use of Money & Property	220,630	1.0%	271,516	1.3%	284,202	1.3%
Charges for Services	552,666	2.6%	548,420	2.5%	491,351	2.3%
Other Revenues	1,141,106	5.4%	241,083	1.1%	378,442	1.8%
Transfers form Fiduciary Fund	3,735,484	17.7%	5,085,152	23.6%	4,562,229	21.2%
Total	\$ 21,124,582	100.0%	\$ 21,520,137	100.0%	\$ 21,252,766	98.8%

As of the end of the current year, the City of Ridgecrest’s governmental funds reported combined ending fund balances of \$8.55 million, a decrease of \$3.43 million in comparison FY 2016-2017 ending fund balance. Of this ending balance the unassigned fund balance is (\$412,810). The majority of the fund balance, \$5.08 million, is restricted. Of that amount, \$4.52 million is the receivable from the Successor Agency and the 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.

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 \$638,194; \$16,901 is committed for Park Development and \$621,293 is committed for Sub-Standard 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 \$8,548,090, 37.2% or \$3,182,723 is classified as Assigned Fund Balance, set aside for Capital Improvements and Measure L/V funded street maintenance.

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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 \$1.2 million in resources over charges to appropriations. This increased the General Fund balance to \$ 2.69 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, 2018				For the Fiscal Year Ended June 30, 2017			
	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			<u>\$ 1,475,048</u>				<u>\$ 700,607</u>	
Resources (inflows):								
Taxes	11,713,000	11,713,000	12,557,552	844,552	9,823,500	9,923,500	10,935,252	1,011,752
Intergovernmental revenue	225,800	225,800	71,780	(154,020)	249,150	275,220	201,972	(73,248)
Licenses, fees, and permits	296,500	304,000	452,760	148,760	406,600	406,600	441,098	34,498
Fines and forfeitures	60,500	60,500	45,540	(14,960)	59,300	59,300	70,153	10,853
Assessment levied	-	-	-	-	-	-	-	-
Use of money and property	191,600	191,600	199,107	7,507	243,500	243,500	217,239	(26,261)
Current service charges	625,285	640,629	491,351	(149,278)	475,123	475,123	548,420	73,297
Other revenues	124,800	267,482	356,012	88,530	123,200	123,200	139,862	16,662
Transfers from other funds	1,475,880	1,555,880	991,273	(564,607)	1,821,003	1,842,670	1,460,222	(382,448)
Amount available for appropriation	14,713,365	14,958,891	15,165,375	206,484	13,201,376	13,349,113	14,014,218	665,105
Charges to appropriations (outflows):								
General government	2,070,029	2,101,456	2,113,767	(12,311)	1,990,037	2,079,908	1,857,795	222,113
Public safety	6,969,781	6,983,766	6,423,843	559,923	6,993,468	7,089,623	6,559,324	530,299
Public works	483,770	462,795	508,099	(45,304)	474,034	479,719	357,941	121,778
Community development	1,001,759	1,034,611	894,056	140,555	1,105,108	1,174,338	913,914	260,424
Health	46,719	38,637	18,499	20,138	53,237	64,712	34,707	30,005
Culture and leisure	1,686,601	1,669,158	1,557,797	111,361	1,433,157	1,661,093	1,591,654	69,439
Capital Outlay	299,660	369,528	226,861	142,667	300,601	300,601	299,964	637
Debt Service:								
Principal	-	134,985	-	134,985	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Non-departmental:								
Transfers to other funds	2,118,759	2,330,356	2,211,904	118,452	1,395,381	1,668,559	1,624,478	44,081
Total charges to appropriations	14,677,078	15,125,292	13,954,826	1,170,466	13,745,023	14,518,553	13,239,777	1,278,776
Excess of resources over (under) charges to appropriations	36,287	(166,401)	1,210,549	1,376,950	(543,647)	(1,169,440)	774,441	1,943,881
Fund balance, June 30			<u>\$ 2,685,597</u>				<u>\$ 1,475,048</u>	

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Capital Asset and Debt Administration

The City's investment in capital assets for its Governmental and Business Type activities as of June 30, 2018, amounts to \$70.2 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 decreased by \$.4 million from prior year. With the end of available Tax Allocation Bonds (TAB) funds, construction did 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	6,015,642	-	6,015,642
Total non-depreciable assets, net	<u>8,441,241</u>	<u>1,614,217</u>	<u>10,055,458</u>
<i>Depreciable Assets:</i>			
Buildings and improvements	9,720,817	3,337,207	13,058,024
Machinery and equipment	7,576,342	4,065,430	11,641,772
Infrastructure	123,500,786	21,182,072	144,682,858
	<u>140,797,945</u>	<u>28,584,709</u>	<u>169,382,654</u>
Less accumulated depreciation	<u>(95,287,158)</u>	<u>(13,935,751)</u>	<u>(109,222,909)</u>
Total depreciable assets, net	<u>45,510,787</u>	<u>14,648,958</u>	<u>60,159,745</u>
Total capital assets	<u><u>\$ 53,952,028</u></u>	<u><u>\$ 16,263,175</u></u>	<u><u>\$ 70,215,203</u></u>

Additional information on the capital assets can be found in Note 8 on pages 77-89 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 \$2.08 million, a net decrease of \$5.6 million compared from prior year due to decrease of principal and decrease in compensated absences.

Long Term Debt from Fiduciary Funds has a balance of \$29.28 million from the 2018 Tax Allocation Refunding Bond to provide funds to refund the 2005 Certificates of Participation and the 2010 Tax Allocation Bonds.

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due within one year	Due in more than one year
Governmental Activities						
2005 Refunding Certificates of Participation	5,440,000	-	(5,440,000)	-	-	-
Compensated Absences	2,242,144	924,255	(1,083,194)	2,083,205	793,624	1,289,581
Total Government Activities	8,597,438	924,255	(6,523,194)	2,083,205	793,624	1,289,581
Fiduciary Funds						
Tax Allocation Bonds, Series 2010	26,880,000	-	(26,880,000)	-	-	-
Less: Bond discount	(537,407)	-	537,407	-	-	-
Tax Allocation Bonds, Series 2018	-	29,280,000	-	29,280,000	1,715,000	27,565,000
	26,342,593	29,280,000	(26,342,593)	29,280,000	1,715,000	27,565,000
Total	\$ 37,023,161	\$ 30,204,255	\$ (32,865,787)	\$ 31,363,205	\$ 2,508,624	\$ 28,854,581

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 8 on page 77 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. NAWS, the city's major employer, added a new growth of 200 new employees in 2018. The total hired was 640; 225 of those were new professionals. NAWS currently employs 4,500 people. NAWS 2019 Workforce Plan involves hiring over 700 people, 525 total and 190 new professionals at China Lake, with a goal of 33% new college graduates. In a response to concern regarding the lack of appropriate housing options for new professionals, the City is currently assisting two developers who are planning to build two new multi-family apartment complexes totaling 403 new housing units. To address the lack of housing, the City is also working with builders in an effort to develop single family housing tracts, with two new tracts currently in the development process. With only 5% of Hospitality and Food Services establishments in Ridgecrest, the City is looking to expand hospitality services and is currently finalizing plans with two new hotel chains, Towne Home Suites by Marriott and Holiday Inn Express. The City continues to attend Economic Development Conferences and remains committed to encouraging future retail development by presenting the significant economic/recruitment opportunities available and assisting with large scale development opportunities, and is currently working with a handful of national fast-casual restaurants, including: Chipotle, Panda Express, and Panera Bread.

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 2019 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.

City of Ridgecrest
Management Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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 2019 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.

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.

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Basic Financial Statements



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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Government-Wide Financial Statements



City of Ridgecrest
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 13,134,105	\$ 25,017,907	\$ 38,152,012
Receivables:			
Accounts	184,704	159,530	344,234
Taxes	1,397,294	-	1,397,294
Interest	45,536	103,185	148,721
Deposits	10,241	-	10,241
Internal balances	(3,450,097)	3,450,097	-
Inventories	17,759	-	17,759
Total current assets	<u>11,339,542</u>	<u>28,730,719</u>	<u>40,070,261</u>
Noncurrent assets:			
Due from Fiduciary Fund	56,345	2,504,615	2,560,960
Loans receivable	221,856	-	221,856
Capital assets:			
Nondepreciable	8,441,242	1,614,217	10,055,459
Depreciable, net	47,236,188	14,648,958	61,885,146
Total capital assets, net	<u>55,677,430</u>	<u>16,263,175</u>	<u>71,940,605</u>
Total noncurrent assets	<u>55,955,631</u>	<u>18,767,790</u>	<u>74,723,421</u>
Total assets	<u>67,295,173</u>	<u>47,498,509</u>	<u>114,793,682</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows	4,971,691	492,512	5,464,203
OPEB-related deferred outflows	167,253	14,316	181,569
Total deferred outflows of resources	<u>5,138,944</u>	<u>506,828</u>	<u>5,645,772</u>

City of Ridgecrest
Statement of Net Position (Continued)
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	1,009,033	14,281	1,023,314
Salaries payable	251,671	-	251,671
Other payroll deductions payable	48,805	-	48,805
Deposits payable	182,862	-	182,862
Unearned revenue	272,740	273,296	546,036
Claims payable - due within one year	771,600	-	771,600
Compensated absences - due within one year	793,624	-	793,624
Total current liabilities	3,330,335	287,577	3,617,912
Long-term liabilities:			
Claims payable - due in more than one year	1,800,400	-	1,800,400
Aggregate net pension liability - due in more than one year	17,527,272	1,872,059	19,399,331
Net OPEB liability - due in more than one year	792,871	100,191	893,062
Compensated absences - due in more than one year	1,289,581	-	1,289,581
Total long-term liabilities	21,410,124	1,972,250	23,382,374
Total liabilities	24,740,459	2,259,827	27,000,286
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows	442,574	60,964	503,538
OPEB-related deferred inflows	16,328	2,064	18,392
Total deferred inflows of resources	458,902	63,028	521,930
NET POSITION			
Net investment in capital assets	55,677,430	16,263,175	71,940,605
Restricted for:			
Special projects	167,368	-	167,368
Capital projects	5,740,449	-	5,740,449
Other purpose	562,891	-	562,891
Total restricted	6,470,708	-	6,470,708
Unrestricted (deficit)	(14,913,382)	29,419,307	14,505,925
Total net position	\$ 47,234,756	\$ 45,682,482	\$ 92,917,238

City of Ridgecrest
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 5,019,344	\$ 236,180	\$ 2	\$ -	\$ 236,182
Public safety	7,079,047	205,734	193,421	-	399,155
Public works	5,049,067	497,833	27,172	-	525,005
Transportation	87,535	-	1,007,957	699,272	1,707,229
Health	-	-	2,157	-	2,157
Community development	1,011,653	(9,478)	-	-	(9,478)
Culture and leisure	1,776,087	344,560	-	-	344,560
Interest on long-term debt	227,286	-	-	-	-
Total governmental activities	<u>20,250,019</u>	<u>1,274,829</u>	<u>1,230,709</u>	<u>699,272</u>	<u>3,204,810</u>
Business-Type activities:					
TDA transit	552,173	208,178	87,869	-	296,047
Wastewater improvement	1,579,726	6,259,227	-	-	6,259,227
Total business-type activities	<u>2,131,899</u>	<u>6,467,405</u>	<u>87,869</u>	<u>-</u>	<u>6,555,274</u>
Total primary government	<u>\$ 22,381,918</u>	<u>\$ 7,742,234</u>	<u>\$ 1,318,578</u>	<u>\$ 699,272</u>	<u>\$ 9,760,084</u>

City of Ridgecrest
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (4,783,162)	\$ -	\$ (4,783,162)
Public safety	(6,679,892)	-	(6,679,892)
Public works	(4,524,062)	-	(4,524,062)
Transportation	1,619,694	-	1,619,694
Health	2,157	-	2,157
Community development	(1,021,131)	-	(1,021,131)
Culture and leisure	(1,431,527)	-	(1,431,527)
Interest on long-term debt	(227,286)	-	(227,286)
Total governmental activities	(17,045,209)	-	(17,045,209)
Business-Type activities:			
TDA transit	-	(256,126)	(256,126)
Wastewater improvement	-	4,679,501	4,679,501
Total business-type activities	-	4,423,375	4,423,375
Total primary government	(17,045,209)	4,423,375	(12,621,834)
General revenues:			
Taxes:			
Property taxes	2,326,379	-	2,326,379
Sales taxes	7,783,312	-	7,783,312
Transient occupancy tax	1,553,230	-	1,553,230
Franchise tax	752,898	-	752,898
Special assessments	532,936	-	532,936
Vehicle in lieu tax	14,922	505,553	520,475
Total taxes	12,963,677	505,553	13,469,230
Investment earnings	156,521	306,226	462,747
Transfers from Fiduciary Fund (Note 6)	4,562,229	-	4,562,229
Miscellaneous	371,280	12,553	383,833
Transfers	111,008	(111,008)	-
Total general revenues and transfers	18,164,715	713,324	18,878,039
Change in net position	1,119,506	5,136,699	6,256,205
Net position - beginning of year, as restated (Note 15)	46,115,250	40,545,783	86,661,033
Net position - end of year	\$ 47,234,756	\$ 45,682,482	\$ 92,917,238

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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, 2018

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Governmental Fund Financial Statements



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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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, 2018

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**City of Ridgecrest
Balance Sheet
Governmental Funds
June 30, 2018**

	Major Funds				
	General Fund	City Debt Service Fund	Capital Improvements Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,336,505	\$ -	\$ 1,160,024	\$ 5,478,625	\$ 11,975,154
Receivables:					
Accounts	172,368	-	4,492	7,844	184,704
Taxes	1,391,535	-	-	-	1,391,535
Interest	20,275	-	1,664	23,597	45,536
Loans	-	-	-	221,856	221,856
Due from other funds	1,799	-	-	-	1,799
Deposits	-	-	-	10,241	10,241
Due from Fiduciary	56,345	-	-	-	56,345
Total assets	\$ 6,978,827	\$ -	\$ 1,166,180	\$ 5,742,163	\$ 13,887,170
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 363,822	\$ -	\$ 520,068	\$ 69,434	\$ 953,324
Salaries payable	251,671	-	-	-	251,671
Other payroll deductions payable	4,731	-	-	-	4,731
Due to other funds	-	-	-	1,799	1,799
Deposits payable	142,995	-	39,867	-	182,862
Unearned revenue	79,914	-	-	192,826	272,740
Advances from other funds	3,450,097	-	-	-	3,450,097
Total liabilities	4,293,230	-	559,935	264,059	5,117,224
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	221,856	221,856
Total deferred inflows of resources	-	-	-	221,856	221,856
Fund Balances:					
Nonspendable	56,345	-	-	-	56,345
Restricted	562,891	-	-	4,520,747	5,083,638
Committed	-	-	-	638,194	638,194
Assigned	2,066,361	-	606,245	142,631	2,815,237
Unassigned (deficit)	-	-	-	(45,324)	(45,324)
Total fund balances	2,685,597	-	606,245	5,256,248	8,548,090
Total liabilities, deferred inflows of resources and fund balances	\$ 6,978,827	\$ -	\$ 1,166,180	\$ 5,742,163	\$ 13,887,170

City of Ridgecrest
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds	<u>\$ 8,548,090</u>
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Capital assets, nondepreciable	8,441,242
Capital assets, depreciable	<u>47,236,188</u>
	<u>55,677,430</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	(793,624)
Compensated absences - due in more than one year	(1,289,581)
Claims payable - due within one year	(771,600)
Claims payable - due in more than one year	(1,800,400)
Less claims payable included in the internal service funds	<u>1,503,286</u>
	<u>(3,151,919)</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>(17,527,272)</u>
Net OPEB liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	
	<u>(792,871)</u>
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
Pension-related deferred outflows	4,971,691
OPEB-related deferred outflows	<u>167,253</u>
	<u>5,138,944</u>
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
Pension-related deferred inflows	(442,574)
OPEB-related deferred inflows	<u>(16,328)</u>
	<u>(458,902)</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>221,856</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>(420,600)</u>
Net Position of Governmental Activities	<u><u>\$ 47,234,756</u></u>

City of Ridgecrest
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds				
	General	City	Capital	Other	Total
	Fund	Debt Service Fund	Improvements Capital Projects Fund	Governmental Funds	Governmental Funds
REVENUES:					
Taxes	\$ 12,557,552	\$ -	\$ 262,384	\$ 332,146	\$ 13,152,082
Intergovernmental	71,780	-	371,475	909,969	1,353,224
License and permits	452,760	-	-	460,567	913,327
Fines and forfeitures	45,540	-	-	-	45,540
Assessment levied	-	-	-	72,369	72,369
Use of money and property	199,107	6,419	4,259	74,417	284,202
Charges for services	491,351	-	-	-	491,351
Transfers from Fiduciary Fund	291,777	361,137	3,909,315	-	4,562,229
Other revenues	356,012	-	-	22,430	378,442
Total revenues	14,465,879	367,556	4,547,433	1,871,898	21,252,766
EXPENDITURES:					
Current:					
General government	2,113,767	1,500	-	-	2,115,267
Public safety	6,423,843	-	-	379	6,424,222
Public works	508,099	-	-	2,182,582	2,690,681
Community development	894,056	-	-	12,019	906,075
Health	18,499	-	-	-	18,499
Culture and leisure	1,557,797	-	-	-	1,557,797
Capital outlay	226,861	-	4,428,683	159,337	4,814,881
Debt service:					
Principal	-	5,440,000	-	-	5,440,000
Interest and fiscal charges	-	307,403	-	-	307,403
Total expenditures	11,742,922	5,748,903	4,428,683	2,354,317	24,274,825
REVENUES OVER (UNDER) EXPENDITURES	2,722,957	(5,381,347)	118,750	(482,419)	(3,022,059)
OTHER FINANCING SOURCES (USES):					
Transfers In	699,496	-	147,344	2,134,196	2,981,036
Transfers Out	(2,211,904)	-	-	(1,177,011)	(3,388,915)
Total other financing sources (uses)	(1,512,408)	-	147,344	957,185	(407,879)
Net changes in fund balances	1,210,549	(5,381,347)	266,094	474,766	(3,429,938)
FUND BALANCES:					
Beginning of year	1,475,048	5,381,347	340,151	4,781,482	11,978,028
End of year	<u>\$ 2,685,597</u>	<u>\$ -</u>	<u>\$ 606,245</u>	<u>\$ 5,256,248</u>	<u>\$ 8,548,090</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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$	(3,429,938)
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.		4,814,881
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		(2,979,084)
The repayment of debt principal consumes the current financial resources of governmental funds; however, it has no effect on net position.		5,440,000
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.		(1,689,600)
The net effect of various miscellaneous transactions involving the OPEB plan (i.e. changes in the net OPEB 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.		64,819
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		158,939
Changes in claims payable (net of \$227,705 reported in Internal Service Funds)		(1,068,714)
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.		80,117
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.		(12,383)
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.		(259,531)
Change in Net Position of Governmental Activities	\$	<u>1,119,506</u>

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Proprietary Fund Financial Statements



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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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, 2018

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City of Ridgecrest
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds		Total	Governmental Activities - Internal Service Funds
	T.D.A. Transit	Wastewater Improvement		
ASSETS				
Current assets:				
Cash and investments	\$ 823,141	\$ 24,194,766	\$ 25,017,907	\$ 1,158,951
Receivables:				
Accounts	18,533	140,997	159,530	-
Taxes	-	-	-	5,759
Interest	1,286	101,899	103,185	-
Inventories	-	-	-	17,759
Total current assets	<u>842,960</u>	<u>24,437,662</u>	<u>25,280,622</u>	<u>1,182,469</u>
Noncurrent assets:				
Advances to other funds	-	3,450,097	3,450,097	-
Due from Fiduciary	-	2,504,615	2,504,615	-
Capital assets:				
Non-depreciable	-	1,614,217	1,614,217	-
Depreciable	1,316,718	27,267,992	28,584,710	412,893
Less: accumulated depreciation	(1,044,999)	(12,890,753)	(13,935,752)	(412,893)
Total capital assets	<u>271,719</u>	<u>15,991,456</u>	<u>16,263,175</u>	<u>-</u>
Total noncurrent assets	<u>271,719</u>	<u>21,946,168</u>	<u>22,217,887</u>	<u>-</u>
Total assets	<u>1,114,679</u>	<u>46,383,830</u>	<u>47,498,509</u>	<u>1,182,469</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferred outflows	173,828	318,684	492,512	-
OPEB-related deferred outflows	1,732	12,584	14,316	-
Total deferred outflows of resources	<u>175,560</u>	<u>331,268</u>	<u>506,828</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	6,491	7,790	14,281	55,709
Other payroll deductions payable	-	-	-	44,074
Unearned revenue	273,296	-	273,296	-
Claims payable - due within one year	-	-	-	450,986
Total current liabilities	<u>279,787</u>	<u>7,790</u>	<u>287,577</u>	<u>550,769</u>
Noncurrent liabilities:				
Aggregate net pension liability - due in more than one year	660,727	1,211,332	1,872,059	-
Net OPEB liability - due in more than one year	40,538	59,653	100,191	-
Claims payable - due in more than one year	-	-	-	1,052,300
Total noncurrent liabilities	<u>701,265</u>	<u>1,270,985</u>	<u>1,972,250</u>	<u>1,052,300</u>
Total liabilities	<u>981,052</u>	<u>1,278,775</u>	<u>2,259,827</u>	<u>1,603,069</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	21,517	39,447	60,964	-
OPEB-related deferred inflows	835	1,229	2,064	-
Total deferred inflows of resources	<u>22,352</u>	<u>40,676</u>	<u>63,028</u>	<u>-</u>
NET POSITION				
Investment in capital assets	271,719	15,991,456	16,263,175	-
Unrestricted (deficit)	15,116	29,404,191	29,419,307	(420,600)
Total net position	<u>\$ 286,835</u>	<u>\$ 45,395,647</u>	<u>\$ 45,682,482</u>	<u>\$ (420,600)</u>

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	T.D.A. Transit	Wastewater Improvement	Total	
OPERATING REVENUES:				
Charges for services	\$ 208,178	\$ 6,259,227	\$ 6,467,405	\$ 690,211
Other revenue	-	12,553	12,553	748,989
Total operating revenues	<u>208,178</u>	<u>6,271,780</u>	<u>6,479,958</u>	<u>1,439,200</u>
OPERATING EXPENSES:				
Transportation	430,219	-	430,219	-
Health	-	1,197,106	1,197,106	-
Administration	-	-	-	2,235,752
Depreciation	121,954	382,620	504,574	-
Total operating expenses	<u>552,173</u>	<u>1,579,726</u>	<u>2,131,899</u>	<u>2,235,752</u>
OPERATING INCOME (LOSS)	<u>(343,995)</u>	<u>4,692,054</u>	<u>4,348,059</u>	<u>(796,552)</u>
NONOPERATING REVENUES:				
Taxes	505,553	-	505,553	-
Intergovernmental	87,869	-	87,869	-
Use of money and property	3,511	302,715	306,226	18,134
Total nonoperating revenues	<u>596,933</u>	<u>302,715</u>	<u>899,648</u>	<u>18,134</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>252,938</u>	<u>4,994,769</u>	<u>5,247,707</u>	<u>(778,418)</u>
TRANSFERS:				
Transfers in	-	-	-	1,680,657
Transfers out	(37,272)	(73,736)	(111,008)	(1,161,770)
Total transfers	<u>(37,272)</u>	<u>(73,736)</u>	<u>(111,008)</u>	<u>518,887</u>
Changes in net position	215,666	4,921,033	5,136,699	(259,531)
NET POSITION:				
Beginning of year, as restated (Note 15)	71,169	40,474,614	40,545,783	(161,069)
End of year	<u>\$ 286,835</u>	<u>\$ 45,395,647</u>	<u>\$ 45,682,482</u>	<u>\$ (420,600)</u>

City of Ridgecrest
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	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	\$ 608,073	\$ 6,225,997	\$ 6,834,070	\$ 690,211
Payments to suppliers or employees for goods and services	(661,702)	(1,479,151)	(2,140,853)	(1,074,180)
Insurance premiums and settlements or insurance recovery	-	-	-	(1,388,218)
Others	-	12,553	12,553	748,989
Net cash provided by (used in) operating activities	(53,629)	4,759,399	4,705,770	(1,023,198)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Taxes	505,553	-	505,553	-
Intergovernmental	87,869	-	87,869	-
Transfers in	-	-	-	1,680,657
Transfers out	(37,272)	(73,736)	(111,008)	(1,161,770)
Net cash provided by (used in) noncapital financing activities	556,150	(73,736)	482,414	518,887
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(24,988)	(32,661)	(57,649)	-
Cash received from repayment of advances	-	134,985	134,985	-
Net cash provided by (used in) capital and related financing activities	(24,988)	102,324	77,336	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	2,726	242,149	244,875	15,583
Net cash provided by investing activities	2,726	242,149	244,875	15,583
Net change in cash and cash equivalents	480,259	5,030,136	5,510,395	(488,728)
CASH AND CASH EQUIVALENTS:				
Beginning of year	342,882	19,164,630	19,507,512	1,647,679
End of year	\$ 823,141	\$ 24,194,766	\$ 25,017,907	\$ 1,158,951

City of Ridgecrest
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	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)	\$ (343,995)	\$ 4,692,054	\$ 4,348,059	\$ (796,552)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	121,954	382,620	504,574	-
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	131,320	(33,230)	98,090	-
Inventories	-	-	-	848
Pension-related deferred outflows	102,104	40,028	142,132	-
OPEB-related deferred outflows	5,087	(2,550)	2,537	-
Accounts payable	1,912	(240,282)	(238,370)	11,244
Salaries payable	(12,337)	(16,113)	(28,450)	(2,011)
Other payroll deductions payable	-	-	-	(9,022)
Claims payable	-	-	-	(227,705)
Unearned revenue	268,575	-	268,575	-
Aggregate net pension liability	(307,691)	(47,611)	(355,302)	-
Net OPEB liability	(2,417)	(3,556)	(5,973)	-
Pension-related deferred inflows	(18,976)	(13,190)	(32,166)	-
OPEB-related deferred inflows	835	1,229	2,064	-
Total adjustments	290,366	67,345	357,711	(226,646)
Net cash provided by (used in) operating activities	\$ (53,629)	\$ 4,759,399	\$ 4,705,770	\$ (1,023,198)

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Fiduciary Fund Financial Statements



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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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, 2018

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City of Ridgecrest
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ 3,971,134	\$ 460,867
Cash and investments with fiscal agents	4,201	-
Interest receivable	21,108	2,185
Loans receivable	3,050,978	-
Capital assets:		
Non-depreciable	2,202,440	-
Depreciable, net	1,566,341	-
Total assets	<u>10,836,720</u>	<u>\$ 463,052</u>
LIABILITIES		
Due to bondholders	-	\$ 406,707
Accounts payable	6,078	-
Deposits payable	2,000	-
Unearned revenue	2,598	-
Interest payable	121,979	-
Due to City	2,504,615	56,345
Bonds payable	29,280,000	-
Total liabilities	<u>31,917,270</u>	<u>\$ 463,052</u>
NET POSITION		
Net Position (Deficit):		
Held in trust for Successor Agency to Ridgecrest Redevelopment Agency	(21,081,634)	
Held in trust for Donation	1,084	
Total net position (deficit)	<u>\$ (21,080,550)</u>	

City of Ridgecrest
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Taxes	\$ 3,552,448
Revenue from use of money and property	107,036
Other revenue	1,068
Total additions	<u>3,660,552</u>
DEDUCTIONS:	
Community development	338,830
Depreciation expense	98,903
Interest expense	3,878,236
Transfers to City of Ridgecrest (Note 6)	4,562,229
Total deductions	<u>8,878,198</u>
Change in fiduciary net position	<u>(5,217,646)</u>
NET POSITION (DEFICIT):	
Beginning of year	<u>(15,862,904)</u>
End of year	<u>\$ (21,080,550)</u>

City of Ridgecrest
Comprehensive Annual Financial Report
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Notes to the Basic Financial Statements



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Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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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, 2018

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, 2018

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:

- Due to/from other funds
- 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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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. Other Postemployment Benefits (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s Retiree Benefits Plan (“OPEB Plan”) and additions to/deductions from OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

<u>OPEB</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

J. 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.

K. Net Position

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

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation.

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.

L. 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.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

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.

M. 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.

N. 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.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

O. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2018. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. 75 which is reflected on the accompanying City's financial statements.

GASB Statement No. 81

In December 2015, GASB issued 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. This pronouncement did not have a material effect on the financial statements of the City.

GASB Statement No. 82

In December 2015, GASB issued 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). This pronouncement did not have a material effect on the financial statements of the City.

GASB Statement No. 85

In March 2017, GASB issued 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]). This pronouncement did not have a material effect on the financial statements of the City.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

O. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018 (Continued)

GASB Statement No. 86

In April 2017, GASB issued 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. This pronouncement did not have a material effect on the financial statements of the City.

P. 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. 83

In November 2016, GASB issued 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.

GASB Statement No. 84

In January 2017, GASB issued 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.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

P. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 87

In June 2017, GASB issued 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.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

P. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests— An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. 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, 2018:

	<u>Primary Government</u>			<u>Fiduciary</u>	<u>Total</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>		
	<u>Activities</u>	<u>Activities</u>			
Cash and investments	\$ 13,134,105	\$ 25,017,907	\$ 38,152,012	\$ 4,432,001	\$ 42,584,013
Cash and investments with fiscal agent	-	-	-	4,201	4,201
Total	\$ 13,134,105	\$ 25,017,907	\$ 38,152,012	\$ 4,436,202	\$ 42,588,214

Cash, cash equivalents, and investments, consisted of the following at June 30, 2018:

Cash and cash equivalents:	
Petty cash	\$ 1,720
Demand deposits	2,023,434
Investments:	
Local Agency Investment Fund	40,559,359
Money market funds	4,201
Total	\$ 42,588,714

Fair value of assets measured on a recurring basis at June 30, 2018, are as follows:

Investments measured by fair value level:	<u>June 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Held by bond trustee:				
Money market mutual funds	\$ 4,201	\$ -	\$ 4,201	\$ -
Total investments by fair value level	\$ 4,201	\$ -	\$ 4,201	\$ -
Investments not subject to the fair value hierarchy:				
Local agency investment funds - State of CA	\$ 40,559,359			
Total investments not subject to the fair value hierarchy	\$ 40,559,359			
Total investments	\$ 40,563,560			

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$2,023,434 at June 30, 2018. Bank balances were \$2,037,361 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.

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, 2018 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.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

C. External Investment Pool (Continued)

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, 2018, the City had \$40,559,359 invested in LAIF, which had invested 2.67% 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, 2018, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2018.

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, 2018, the City had the following investments and maturities:

	Amount	Maturities 1 year or less
Investments:		
Local Agency Investment Fund	\$ 40,559,359	\$ 40,559,359
Money market funds	4,201	4,201
Total	\$ 40,563,560	\$ 40,563,560

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	\$ 40,559,359	Not Rated	Not Rated
Money market funds	4,201	Not Rated	Not Rated
Total	\$ 40,563,560		

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Custodial Credit Risk

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

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, 2018	Percentage of Investments
Investments:		
Local Agency Investment Fund	\$ 40,559,359	99.99%
Money market funds	4,201	0.01%
Total	\$ 40,563,560	

Note 3 – Loan Program

A. Governmental Activities

For the year ended June 30, 2018, changes in loans receivable of the City's loan program is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Loans receivables:				
High Desert loans	\$ 234,239	\$ -	\$ (12,383)	\$ 221,856
Total	\$ 234,239	\$ -	\$ (12,383)	\$ 221,856

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, 2018, the loan balance is \$221,856.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Loan Program (Continued)

B. Fiduciary Fund Financial Statements

For the year ended June 30, 2018, changes in loans receivable of the Fiduciary’s loan program is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
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 Project 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.

Note 4 – Interfund Balances and Transactions

A. Due To and From Other Funds

At June 30, 2018, the City had the following short-term interfund receivables and payables to cover cash shortfalls:

		Due from other funds	
		General Fund	Total
Due to other funds	Non-major Governmental Funds	\$ 1,799	\$ 1,799
	Total	<u>\$ 1,799</u>	<u>\$ 1,799</u>

The short-term loan was made to cover a temporary cash shortfall and will be repaid subsequent to year-end.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Interfund Balances and Transactions

B. Long-Term Advances

At June 30, 2018, the balances of long-term advances were as follows:

	Advances to other funds
	Enterprise Fund
	Wastewater
	Improvement
General Fund	\$ 3,450,097

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, 2018, the outstanding balance of the agreement was \$3,450,097.

The annual requirements to amortize the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
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	138,394	14,517	152,911
2024-2028	702,417	62,135	764,552
2029-2033	720,154	44,398	764,552
2034-2038	738,338	26,214	764,552
2039-2042	604,071	7,570	611,641
Total	\$ 3,450,097	\$ 219,751	\$ 3,669,848

C. Transfers

At June 30, 2018, the City had the following transfers:

		Transfers Out					Total
		General Fund	Other Governmental Funds	TDA Transit Enterprise Fund	Wastewater Improvement Enterprise Funds	Internal Service Funds	
Transfers In	General Fund	\$ -	\$ 386,752	\$ -	\$ 10,000	\$ 302,744	\$ 699,496
	Capital Improvements	22,352	124,992	-	-	-	147,344
	Other Governmental Funds	1,602,325	531,871	-	-	-	2,134,196
	Internal Service Funds	587,227	133,396	37,272	63,736	859,026	1,680,657
	Total	\$ 2,211,904	\$ 1,177,011	\$ 37,272	\$ 73,736	\$ 1,161,770	\$ 4,661,693

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Interfund Balances and Transactions (Continued)

C. 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) \$22,352 to Capital Improvement Fund for the Measure L funding of the City's local match on grant funded capital projects. 2) \$1,602,325 to Gas Tax Fund for the Measure L funding of the street maintenance. 3) \$587,227 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) \$140,359 to General Fund from Supplemental Law Enforcement Service Fund for public safety. 2) \$124,992 to Capital Improvements Fund from Grant Operations Fund, \$94,135 for grant related capital projects and the balance coming from Traffic Impact Fees \$30,857 for street capital projects. 3) \$531,871 to Gas Tax Fund from TDA Streets and Roads Fund \$499,643 for street maintenance and the balance of \$32,228 coming from the Traffic Congestion Relief Fund for street maintenance. 4) Gas Tax Fund transferred \$ 246,393 to the General Fund for overhead allocations and \$133,396 to Internal Service Fund for insurance allocation.

Transit Enterprise Fund transferred \$37,272 to Internal Service Fund for insurance allocation.

Wastewater Enterprise Fund transferred \$10,000 to General Fund for the Wastewater portion of the funding for the robotic surveyor and \$63,736 to Internal Service Fund for insurance allocation.

Internal Service Funds transfer to General Fund of \$302,744 was for administrative overhead allocation. While the transfer of \$859,026 is consisted of \$839,084 to Self-Insurance Workers Compensation Fund for the payments of claims and settlements for the year and the balance of \$19,942 from the Fleet Maintenance ISF fund for insurance allocation.

Note 5 – Due from Fiduciary

At June 30, 2018, the City had an outstanding loan from Fiduciary Fund in the amount of \$2,560,960.

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, 2018, the outstanding balance of the agreement was paid in full.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Due from Fiduciary (Continued)

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, 2018, 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, 2018, 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, 2019.

Note 6 – Transfers from Fiduciary Fund

At June 30, 2018, the City had the following transfers from Fiduciary Funds:

		Transfers to City			Total
		General Fund	City Debt Service Fund	Capital Improvements Capital Projects Fund	
Transfers from Fiduciary Fund	Private Purpose Trust Funds				
	RDA Obligation Retirement	\$ 291,777	\$ 361,137	\$ 3,909,315	\$ 4,562,229
	Total	\$ 291,777	\$ 361,137	\$ 3,909,315	\$ 4,562,229

During the year ended June 30, 2018, the Successor Agency made the following transfers: 1) \$291,777 to the City's General Fund for the administrative allowance due to the dissolution of the Redevelopment Agency; 2) \$361,137 to the City's Debt Service Fund for the payment of the interest of the 2005 COP bond; and 3) \$3,909,315 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, 2018

Note 7 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Transfers	Balance June 30, 2018
Nondepreciable assets:				
Land	\$ 2,425,599	\$ -	\$ -	\$ 2,425,599
Construction in progress	3,312,358	4,428,683	(1,725,398)	6,015,643
Total nondepreciable assets	5,737,957	4,428,683	(1,725,398)	8,441,242
Depreciable assets				
Building and improvements	9,720,818	-	-	9,720,818
Machinery and equipment	7,190,144	386,198	-	7,576,342
Infrastructure	123,500,786	-	1,725,398	125,226,184
Subtotal	140,411,748	386,198	1,725,398	142,523,344
Less accumulated depreciation				
Building and improvements	(2,729,241)	(343,845)	-	(3,073,086)
Machinery and equipment	(6,561,976)	(260,948)	-	(6,822,924)
Infrastructure	(83,016,855)	(2,374,291)	-	(85,391,146)
Subtotal	(92,308,072)	(2,979,084)	-	(95,287,156)
Total depreciable assets, net	48,103,676	(2,592,886)	1,725,398	47,236,188
Total	\$ 53,841,633	\$ 1,835,797	\$ -	\$ 55,677,430

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2018 are as follows:

General government	\$ 241,366
Public safety	163,427
Public works	2,374,291
Community development	100,000
Culture and leisure	100,000
Total depreciation expense	\$ 2,979,084

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 is as follows:

	Balance July 1, 2017	Additions	Transfers	Balance June 30, 2018
Nondepreciable assets:				
Land	\$ 1,614,217	\$ -	\$ -	\$ 1,614,217
Construction in progress	2,304,471	-	(2,304,471)	-
Total nondepreciable assets	3,918,688	-	(2,304,471)	1,614,217
Depreciable assets				
Building and improvements	3,337,207	-	-	3,337,207
Machinery and equipment	4,007,782	57,649	-	4,065,431
Infrastructure	18,877,601	-	2,304,471	21,182,072
Subtotal	26,222,590	57,649	2,304,471	28,584,710
Less accumulated depreciation				
Building and improvements	(1,447,940)	(50,395)	-	(1,498,335)
Machinery and equipment	(3,337,612)	(208,145)	-	(3,545,757)
Infrastructure	(8,645,626)	(246,034)	-	(8,891,660)
Subtotal	(13,431,178)	(504,574)	-	(13,935,752)
Total depreciable assets, net	12,791,412	(446,925)	2,304,471	14,648,958
Total	\$ 16,710,100	\$ (446,925)	\$ -	\$ 16,263,175

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2018 are as follows:

T.D.A. Transit	\$ 121,954
Wastewater Improvement	382,620
Total depreciation expense	\$ 504,574

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Capital Assets (Continued)

C. Fiduciary Funds

Summary of changes in capital assets for fiduciary activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Transfers	Balance June 30, 2018
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	(10,427,365)	(98,903)	-	(10,526,268)
Subtotal	(10,230,228)	(98,903)	-	(10,526,268)
Total depreciable assets, net	1,862,381	(98,903)	-	1,566,341
Total	\$ 4,064,821	\$ (98,903)	\$ -	\$ 3,768,781

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, 2018 is as follows:

	Balance			Balance June 30, 2018	Classification	
					July 1, 2017	Additions
Governmental Activities:						
2005 Refunding Certificates of Participation	\$ 5,440,000	\$ -	\$ (5,440,000)	\$ -	\$ -	\$ -
Compensated absences	2,242,144	924,255	(1,083,194)	2,083,205	793,624	1,289,581
Total governmental activities	\$ 7,682,144	\$ 924,255	\$ (6,523,194)	\$ 2,083,205	\$ 793,624	\$ 1,289,581

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. On May 18, 2018, the remaining bonds were called through the issuance of the 2018 Tax Allocation Refunding Bonds, Series A and B. Therefore the balance at June 30, 2018, was \$0.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Compensated Absences

Compensated absences at June 30, 2018, amounted to \$2,083,205. 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, 2018 is as follows:

	Balance			Balance June 30, 2018	Classification	
	July 1, 2017	Additions	Deletions		Due within One Year	Due in more than One Year
Fiduciary Funds:						
Tax Allocation Bonds, Series 2010	\$ 26,880,000	\$ -	\$(26,880,000)	\$ -	\$ -	\$ -
Less: Bond discount	(537,407)	-	537,407	-	-	-
Tax Allocation Bonds, Series 2018	-	29,280,000	-	29,280,000	1,715,000	27,565,000
Total fiduciary activities	\$ 26,342,593	\$ 29,280,000	\$(26,342,593)	\$ 29,280,000	\$ 1,715,000	\$ 27,565,000

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. On May 18, 2018, the remaining bonds were defeased through the issuance of the 2018 Tax Allocation Refunding Bonds, Series A and B. Therefore the balance at June 30, 2018, was \$0.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-term Obligations (Continued)

B. Fiduciary Funds (Continued)

2018 Tax Allocation Refunding Bonds

On May 25, 2018 the Agency issued the 2018 Tax Allocation Refunding Bonds to provide funds to refund the 1999 Tax Allocation Bonds of the Agency, to fund a debt service reserve account 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 2018.

The 2018 Tax Allocation Refunding Bonds are comprised of two serial bonds. Series 2018 A has a principal amount of \$4,314,000 with an interest rate of 2.8% and matures on March 1, 2026. Series 2018 B has a principal amount of \$24,966,000 with an interest rate of 5.19% (until April 1, 2020, at which time the rate falls to 3.76% until maturity) and matures on March 1, 2037. AS of June 30, 2018, total principal and interest remaining on the 2018 Tax Allocation Refunding Bonds is \$339,833,507.

The annual requirements to amortize the bonds outstanding at June 30, 2018, are as follows:

Year Ending			
June 30,	Principal	Interest	Total
2019	\$ 1,715,000	1,048,137	\$ 2,763,137
2020	1,375,000	1,326,675	2,701,675
2021	1,673,000	967,146	2,640,146
2022	1,698,000	881,477	2,579,477
2023	1,696,000	822,519	2,518,519
2024-2028	8,135,000	3,238,075	11,373,075
2029-2033	7,440,000	1,805,383	9,245,383
2034-2037	5,548,000	464,097	6,012,097
TOTAL	\$ 29,280,000	\$ 10,553,509	\$ 39,833,509

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, 2018

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 \$2,572,000 reported at June 30, 2018. Of the total claims payable, \$771,600 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
2015-2016	\$ 1,260,467	\$ 900,173	\$ (664,365)	\$ 1,496,275
2016-2017	1,496,275	754,315	(519,599)	1,730,991
2017-2018	1,730,991	1,680,112	(839,103)	2,572,000

The latest financial information of the CSAC Excess Insurance Authority for fiscal year ended June 30, 2017, is as follows:

Total assets	\$ 791,363,353
Total deferred outflows	\$ 1,537,233
Total liabilities	\$ 650,912,971
Total deferred inflows	\$ 1,466,353
Total equities	\$ 140,521,262
Total revenues	\$ 771,964,936
Total expenses	\$ 769,116,291
Revenues over (under) expenses	\$ 2,848,645

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Public Employees’ Retirement System

Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 761,530	\$ 155,975	\$ 917,505
CalPERS Safety	912,811	-	912,811
Total pension contribution made after measurement date	<u>1,674,341</u>	<u>155,975</u>	<u>1,830,316</u>
Change in assumption			
CalPERS Miscellaneous	1,157,405	237,059	1,394,464
CalPERS Safety	1,151,373	-	1,151,373
Total change in assumption	<u>2,308,778</u>	<u>237,059</u>	<u>2,545,837</u>
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	283,364	58,039	341,403
CalPERS Safety	271,906	-	271,906
Total projected earnings on pension plan investments in excess of actual earnings	<u>555,270</u>	<u>58,039</u>	<u>613,309</u>
Adjustment due to difference in proportions			
CalPERS Miscellaneous	202,318	41,439	243,757
Total adjustment due to difference in proportions	<u>202,318</u>	<u>41,439</u>	<u>243,757</u>
Difference between expected and actual experience			
CalPERS Safety	63,569	-	63,569
Total difference between expected and actual experience	<u>63,569</u>	<u>-</u>	<u>63,569</u>
Employer contributions in excess of proportionate share of contribution			
CalPERS Safety	167,415	-	167,415
Total employer contributions in excess of proportionate share of contribution	<u>167,415</u>	<u>-</u>	<u>167,415</u>
Total deferred outflows of resources			
CalPERS Miscellaneous	2,404,617	492,512	2,897,129
CalPERS Safety	2,567,074	-	2,567,074
Total deferred outflows of resources	<u>\$ 4,971,691</u>	<u>\$ 492,512</u>	<u>\$ 5,464,203</u>

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Public Employees’ Retirement System (Continued)

Summary (Continued)

	Governmental Activities	Business-Type Activities	Total
Net pension liabilities:			
CalPERS Miscellaneous	\$ 9,140,052	\$ 1,872,059	\$ 11,012,111
CalPERS Safety	8,387,220	-	8,387,220
Total net pension liabilities	<u>\$ 17,527,272</u>	<u>\$ 1,872,059</u>	<u>\$ 19,399,331</u>
Deferred inflows of Resources:			
Change in assumption			
CalPERS Safety	\$ 144,927	\$ -	\$ 144,927
Total change in assumption	<u>144,927</u>	<u>-</u>	<u>144,927</u>
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	163,071	33,400	196,471
Total employer contributions in excess of proportionate share of contribution	<u>163,071</u>	<u>33,400</u>	<u>196,471</u>
Difference between expected and actual experience			
CalPERS Miscellaneous	134,576	27,564	162,140
Total difference between expected and actual experience	<u>134,576</u>	<u>27,564</u>	<u>162,140</u>
Total deferred inflows of resources			
CalPERS Miscellaneous	297,647	60,964	358,611
CalPERS Safety	144,927	-	144,927
Total deferred inflows of resources	<u>\$ 442,574</u>	<u>\$ 60,964</u>	<u>\$ 503,538</u>
Pension expenses:			
CalPERS Miscellaneous	\$ 1,441,558	\$ 295,259	\$ 1,736,817
CalPERS Safety	1,121,064	-	1,121,064
Total net pension expenses	<u>\$ 2,562,622</u>	<u>\$ 295,259</u>	<u>\$ 2,857,881</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.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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.

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, 2017 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	69	114	92
Safety Plans	31	47	30

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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, 2018 (the measurement date), the active contribution rate was 9% of annual payroll for the Safety Classic Plan, 8% for the Miscellaneous Classic Plan, 11.50% for the Safety PEPRA Plan, and 6.25% for Miscellaneous PEPRA Plan. The average employer’s contribution rate was 17.875% of annual payroll for the Safety Classic Plan, 11.675% for the Miscellaneous Classic Plan, 11.990% for the Safety PEPRA Plan, and 6.533% for the Miscellaneous PEPRA Plan.

For the measurement period ended June 30, 2017, the plan’s proportionate share of aggregate employer contributions made for each Plan was as follows:

	Contributions - employer
Miscellaneous Plans	\$ 876,322
Safety Plans	854,722
Total	\$ 1,731,044

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

		Increase (Decrease)			
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)		
Miscellaneous Plans:					
Balance at: 6/30/16 (Valuation date)	\$ 32,860,520	\$ 23,176,340	\$ 9,684,180		
Balance at: 6/30/17 (Measurement date)	36,176,576	25,164,465	11,012,111		
Net Changes during 2016-2017	3,316,056	1,988,125	1,327,931		
Safety Plans:					
Balance at: 6/30/16 (Valuation date)	\$ 27,152,545	\$ 19,655,969	\$ 7,496,576		
Balance at: 6/30/17 (Measurement date)	29,444,135	21,056,915	8,387,220		
Net Changes during 2016-2017	2,291,590	1,400,946	890,644		

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

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, 2016). 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.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). 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, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-17).

(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, 2016 and 2017 was as follows:

	Miscellaneous Plans	Safety Plans	Total
Proportion June 30, 2016	0.27877%	0.14474%	0.42351%
Proportion June 30, 2017	0.27935%	0.14037%	0.41972%
Change - Increase (Decrease)	0.00058%	-0.00438%	-0.00380%

For the year ended June 30, 2018, the City recognized pension expense in the amounts of \$1,736,817 and \$1,121,064, 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.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

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 2016-17 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).

At June 30, 2018, 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	\$ 917,505	\$ -
Difference between projected and actual earning on pension plan investments	341,403	-
Adjustment due to differences in proportions	243,757	-
Changes in assumptions	1,394,464	-
Difference between actual and expected experience	-	(162,140)
Difference between Employer's actual contributions and proportionate share of contributions	-	(196,471)
Total	\$ 2,897,129	\$ (358,611)

Safety Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension Contributions Made Subsequent to Measurement Date	\$ 912,811	\$ -
Difference between projected and actual earning on pension plan investments	271,906	-
Adjustment due to differences in proportions	-	(144,927)
Changes in assumptions	1,151,373	-
Difference between actual and expected experience	63,569	-
Difference between Employer's actual contributions and proportionate share of contributions	167,415	-
Total	\$ 2,567,074	\$ (144,927)

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

For the Miscellaneous plans and Safety plans, \$917,505 and \$912,811, 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, 2019. 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
2019	\$ 369,474	\$ 310,811
2020	911,408	834,043
2021	542,828	523,584
2022	(202,697)	(159,102)
2023	-	-
Thereafter	-	-
	\$ 1,621,013	\$ 1,509,336

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 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	7.15%
Inflation	2.75%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
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, 2016 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.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plans (Continued)

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

Change of Assumption

The discount rate was changed from 7.65% to 7.15% as of the June 30, 2017 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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 7.00% 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 7.15%. 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.

The long-term expected real rate of return by asset class for the measurement period ended June 30, 2017 was as follows:

Asset Class	New Strategic Allocation	Real Return Years - 10¹	Real Return Years 11 +²
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive assets	6.00%	0.80%	1.39%
Private equity	12.00%	6.60%	6.63%
Real assets	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

¹ An expected inflation of 2.5% was used for this period.

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

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plans	\$ 15,988,086	\$ 11,012,111	\$ 6,890,918
Safety Plans	12,506,957	8,387,220	5,019,540
	\$ 28,495,043	\$ 19,399,331	\$ 11,910,458

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, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Note 11 – Post-Employment Healthcare Benefits

Summary

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
OPEB contribution made after measurement date	\$ 167,253	\$ 14,316	\$ 181,569
Total deferred outflows of resources	\$ 167,253	\$ 14,316	\$ 181,569
Total OPEB Liability	\$ 792,871	\$ 100,191	\$ 893,062
Deferred inflows of Resources:			
Net difference between projected and actual earnings of OPEB Plan investments	\$ 16,328	\$ 2,064	\$ 18,392
Total deferred outflows of resources	\$ 16,328	\$ 2,064	\$ 18,392
OPEB Expense	\$ 102,247	\$ 12,920	\$ 115,167

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Post-Employment Healthcare Benefits

General Information about the OPEB Plan

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.

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. As of June 30, 2017, there were 32 participants receiving these healthcare benefits. Separate financial statements for the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, CA 95814, or by visiting the CalPERS website at www.calpers.ca.gov.

Employees Covered

As of the July 1, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	98
Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to, but not yet receiving benefits	-
Total	130

Contribution

The obligation of the City to contribute to the plan is established and may be amended by the City Council. The contribution required to be made is based on an Actuarially Determined Contributions (i.e., as medical insurance premiums become due). For fiscal year 2018, contributions were made totaling \$181,569.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Post-Employment Healthcare Benefits (Continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2017, was determined using the following actuarial assumptions:

Actuarial Valuation Date	July 1, 2017
Actuarial Cost Method	Early Age Normal, Level Percentage of Pay
Amortization Method	Level Percent
Asset Valuation Method	Market Value
Inflation	2.75%
Payroll Growth	3.00%
Discount Rate	7.00%

Actuarial Assumptions

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US Equity	30.00%	4.85%
International Equity	27.00%	5.85%
REITs	8.00%	3.65%
US Fixed Income	27.00%	2.35%
Commodities	3.00%	1.75%
Inflation Assets	5.00%	1.50%
Long-term expected rate of return		7.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the City plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Post-Employment Healthcare Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the net OPEB 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, for the measurement period ended June 30, 2017:

Plan's Total OPEB Liability		
Discount Rate -1% (6.0%)	Current Discount Rate (7.0%)	Discount Rate +1% (8.0%)
\$ 1,114,976	\$ 893,062	\$ 709,682

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the measurement period ended June 30, 2017:

Plan's Total OPEB Liability		
Healthcare Cost		
-1%	Tread Rate	+1%
\$ 719,568	\$ 893,062	\$ 1,112,116

Change in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016	\$ 1,650,039	\$ 710,081	\$ 939,958
Changes Recognized for the Measurement Period:			
Service Cost	54,770	-	54,770
Interest on the total OPEB liability	116,263	-	116,263
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contribution from the employer	-	143,667	(143,667)
Net investment income	-	74,643	(74,643)
Administrative expenses	-	(381)	381
Benefit payments	(87,805)	(87,805)	-
Net changes during July 1, 2016 to June 30, 2017	83,228	130,124	(46,896)
Balance at June 30, 2017	\$ 1,733,267	\$ 840,205	\$ 893,062

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Post-Employment Healthcare Benefits (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, OPEB expense in the amount of \$115,167 is included in the accompanying statement of activities.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 181,569	\$ -
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Net difference between projected and actual earnings of OPEB Plan investments	\$ -	\$ 18,396
	\$ 181,569	\$ 18,396

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2019	\$ 4,599
2020	4,599
2021	4,599
2022	4,599
2023	-
Thereafter	-
Total	\$ 18,396

Note 12 – Other Required Disclosures

A. Deficit Net Position/Fund Balances

At June 30, 2018, the Governmental Activities on the Statement of Net Position had an unrestricted net position deficit of (\$14,913,324).

At June 30, 2018, 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	\$ (43,525)
Drainage Assessments Benefits AD	Special Revenue Fund	(1,799)
Human Resource and Risk Management	Internal Service Fund	(630,618)
RDA Retirement Obligation	Fiduciary Fund	(21,081,634)

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Other Required Disclosures (Continued)

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the following function(s) of the General Fund.

Fund	Function	Excess Expenditures
General Fund	General government	\$ (12,311)
General Fund	Public works	(45,304)

Note 13 – Classification of Fund Balances

	Major Funds			Total
	General Fund	Capital Improvements	Other Governmental Funds	
Nonspendable:				
Due from Fiduciary	\$ 56,345	\$ -	\$ -	\$ 56,345
Total nonspendable	56,345	-	-	56,345
Restricted:				
Asset seizure	57,136	-	-	57,136
Asset Seizure - drug/gang	14,115	-	-	14,115
DARE/CHAMPS car donations	2,951	-	-	2,951
Proposition 172	324,770	-	-	324,770
Spay & neuter donations	102,776	-	-	102,776
Freedom park donation	1,430	-	-	1,430
Housing	-	-	150,327	150,327
AB 3229	-	-	489	489
Proposition 30	59,713	-	-	59,713
Grant operations	-	-	29,865	29,865
Street construction/maintenance	-	-	61,536	61,536
Capital projects	-	-	4,278,390	4,278,390
Community partnership	-	-	140	140
Total restricted	562,891	-	4,520,747	5,083,638
Committed:				
Park development	-	-	16,901	16,901
Substandard street improvement	-	-	621,293	621,293
Total committed	-	-	638,194	638,194
Assigned:				
Capital improvements	-	606,245	-	606,245
Measure L	2,066,361	-	-	2,066,361
Landscaping & lighting district	-	-	103,900	103,900
Business park capital projects	-	-	38,731	38,731
Total assigned	2,066,361	606,245	142,631	2,815,237
Unassigned	-	-	(45,324)	(45,324)
Total Fund Balances	\$ 2,685,597	\$ 606,245	\$ 5,256,248	\$ 8,548,090

City of Ridgecrest
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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.

Note 15 – Prior Period Adjustment

A. Government-Wide Financial Statements

The City recorded the following prior period adjustment in order to implement GASB 75 in fiscal year 2018:

	Governmental Activities	Business-Type Activities	Total
Net Position, as originally reported	\$ 46,890,866	\$ 40,635,094	\$ 87,525,960
Restatement due to Implementation of GASB 75	(775,616)	(89,311)	(864,927)
Net Position, as restated	<u>\$ 46,115,250</u>	<u>\$ 40,545,783</u>	<u>\$ 86,661,033</u>

B. Proprietary Fund Financial Statements

The beginning net position balances at July 1, 2017 for the proprietary funds were restated as follows:

	Enterprise Funds		Total
	T.D.A. Transit Fund	Wastewater Fund	
Net position at July 1, 2017, as previously reported	\$ 107,305	\$ 40,527,789	\$ 40,635,094
Restatement due to Implementation of GASB 75	(36,136)	(53,175)	(89,311)
Net position at July 1, 2017, as restated	<u>\$ 71,169</u>	<u>\$ 40,474,614</u>	<u>\$ 40,545,783</u>

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Required Supplementary Information (Unaudited)



City of Ridgecrest
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2018

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, 2018 are disclosed in the notes to the financial statements. Appropriations for fiscal year 2018 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: Business Park Special Revenue Fund, Park Development Impact Fee Special Revenue Fund, Storm Drainage Facilities 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 11,713,000	\$ 11,713,000	\$ 12,557,552	\$ 844,552
Intergovernmental	225,800	225,800	71,780	(154,020)
License and permits	296,500	304,000	452,760	148,760
Fines and forfeitures	60,500	60,500	45,540	(14,960)
Use of property and money	191,600	191,600	199,107	7,507
Charges for services	625,285	640,629	491,351	(149,278)
Transfers from Fiduciary Fund	636,000	706,000	291,777	(414,223)
Other revenues	124,800	267,482	356,012	88,530
Total revenues	<u>13,873,485</u>	<u>14,109,011</u>	<u>14,465,879</u>	<u>356,868</u>
EXPENDITURES:				
Current:				
General government	2,070,029	2,101,456	2,113,767	(12,311)
Public safety	6,969,781	6,983,766	6,423,843	559,923
Public works	483,770	462,795	508,099	(45,304)
Community development	1,001,759	1,034,611	894,056	140,555
Health	46,719	38,637	18,499	20,138
Culture and leisure	1,686,601	1,669,158	1,557,797	111,361
Capital outlay	299,660	369,528	226,861	142,667
Debt service:				
Principal	-	134,985	-	134,985
Total expenditures	<u>12,558,319</u>	<u>12,794,936</u>	<u>11,742,922</u>	<u>1,052,014</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,315,166</u>	<u>1,314,075</u>	<u>2,722,957</u>	<u>1,408,882</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	839,880	849,880	699,496	(150,384)
Transfers Out	(2,118,759)	(2,330,356)	(2,211,904)	118,452
Total other financing sources (uses)	<u>(1,278,879)</u>	<u>(1,480,476)</u>	<u>(1,512,408)</u>	<u>(31,932)</u>
Net change in fund balances	<u>\$ 36,287</u>	<u>\$ (166,401)</u>	1,210,549	<u>\$ 1,376,950</u>
FUND BALANCES:				
Beginning of year			<u>1,475,048</u>	
End of year			<u>\$ 2,685,597</u>	

City of Ridgecrest
Required Supplementary Information (Unaudited) (Continued)
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years
For the Year Ended June 30, 2018

Miscellaneous Plan				
Measurement period, year ended	<u>6/30/2017¹</u>	<u>6/30/2016¹</u>	<u>6/30/2015¹</u>	<u>6/30/2014¹</u>
Plan's proportion of the net pension liability	0.279350%	0.27877%	0.28936%	0.10180%
Plan's proportionate share of the net pension liability	\$ 11,012,111	\$ 9,684,180	\$ 7,938,471	\$ 6,467,833
Plan's covered-employee payroll	\$ 3,663,286	\$ 3,556,588	\$ 3,452,998	\$ 3,478,615
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	300.61%	272.29%	229.90%	185.93%
Plan's fiduciary net position	\$ 25,164,465	\$ 23,176,340	\$ 24,196,699	\$ 25,018,992
Plan's fiduciary net position as a percentage of the total pension liability	69.56%	70.53%	75.30%	79.46%
Plan's proportionate share of aggregate employer contributions	\$ 876,322	\$ 815,999	\$ 271,845	\$ 623,008

Notes to Schedule:

Changes in assumptions In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

¹ Information only presented from the implementation year

City of Ridgecrest
Required Supplementary Information (Unaudited) (Continued)
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
Last Ten Fiscal Years
For the Year Ended June 30, 2018

Measurement period, year ended	Safety Plan			
	<u>6/30/2017¹</u>	<u>6/30/2016¹</u>	<u>6/30/2015¹</u>	<u>6/30/2014¹</u>
Plan's proportion of the net pension liability	0.140367%	0.14474%	0.14702%	0.00999%
Plan's proportionate share of the net pension liability	\$ 8,387,220	\$ 7,496,576	\$ 6,058,020	\$ 6,215,700
Plan's covered-employee payroll	\$ 2,553,989	\$ 2,479,601	\$ 2,407,380	\$ 2,454,879
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	328.40%	41.91%	-1.98%	133.59%
Plan's fiduciary net position	\$ 21,056,916	\$ 19,655,968	\$ 19,646,042	\$ 17,982,414
Plan's fiduciary net position as a percentage of the total pension liability	71.51%	93.25%	100.29%	81.42%
Plan's proportionate share of aggregate employer contributions	\$ 854,722	\$ 801,776	\$ 747,875	\$ 768,496

Notes to Schedule:

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

¹ Information only presented from the implementation year

City of Ridgecrest
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions
Last Ten Fiscal Years
For the Year Ended June 30, 2018

Miscellaneous Plan

Fiscal year	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 917,505	\$ 876,322	\$ 815,999	\$ 271,845	\$ 623,008
Contributions in relation to the actuarially determined contributions ²	(917,505)	(876,322)	(815,999)	(271,845)	(623,008)
Contribution deficiency (excess)	\$ -				
Covered-employee payroll	\$ 3,773,184	\$ 3,663,286	\$ 3,556,588	\$ 3,452,998	\$ 3,478,615
Contributions as a percentage of covered-employee payroll	24.32%	23.92%	7.53%	7.46%	32.34%

¹ Information only presented from the implementation year

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule

Valuation date: 6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 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, 2014 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	7.50%, net of pension plan investment and administrative expenses, including inflation
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 Contributions (Continued)
Last Ten Fiscal Years
For the Year Ended June 30, 2018

Safety Plan

Fiscal year	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 912,811	\$ 854,722	\$ 801,776	\$ 747,875	\$ 768,496
Contributions in relation to the actuarially determined contributions ²	(912,811)	(854,722)	(801,776)	(747,875)	(768,496)
Contribution deficiency (excess)	\$ -				
Covered-employee payroll	\$ 2,630,609	\$ 2,553,989	\$ 2,479,601	\$ 2,407,380	\$ 2,454,879
Contributions as a percentage of covered-employee payroll	34.70%	33.47%	15.69%	16.08%	21.86%

¹ Information only presented from the implementation year

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule

Valuation date: 6/30/2016

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Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
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 Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years
For the Year Ended June 30, 2018

	2018
	2016-2017
For the Measurement Period:	
Total OPEB Liability:	
Service Cost	\$ 54,770
Interest on the total OPEB liability	116,263
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Contribution from the employer	-
Benefit payments	(87,805)
Net changes in Total OPEB Liability	83,228
Beginning of Year	1,650,039
End of Year	\$ 1,733,267
Plan Fiduciary Net Position:	
Employer contribution	\$ 143,667
Employee contributions	-
Net investment income	74,643
Administrative expenses	(381)
Benefit payments	(87,805)
Other	-
Net changes in Fiduciary Net Position	130,124
Beginning of Year	710,081
End of Year	\$ 840,205
Net OPEB Liability	\$ 893,062
Fiduciary Net Position as a % of Total OPEB Liability	48.48%
Covered Payroll	\$ 5,499,000
Net OPEB Liability as a % of Payroll	16.24%

* Information only presented from the implementation year

City of Ridgecrest
Required Supplementary Information (Unaudited) (Continued)
Schedule of OPEB Contributions
Last Ten Fiscal Years
For the Year Ended June 30, 2018

For the Measurement Period:	<u>2017-2018</u>
Actuarially Determined Contributions	\$ 181,569
Contributions in relation to the actuarially determined contribution	<u>181,569</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	<u>\$ 5,663,970</u>
Contributions as a percentage of covered payroll	3.21%

* Information only presented from the implementation year

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Supplementary Information



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Non-Major Governmental Funds



City of Ridgecrest
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds				
	State Gas Tax	Road Maintenance	Grant	Park	TDA Street
	Special Revenue	and Rehabilitation	Operations	Development	Fund
	Fund	Act Fund	Special Revenue		
	Fund	Act Fund	Fund	Development	Fund
ASSETS					
Cash and investments	\$ 19,502	\$ 61,458	\$ 214,299	\$ 16,829	\$ -
Receivables:					
Accounts	500	-	7,344	-	-
Interest	-	-	1,048	72	78
Loans	-	-	-	-	-
Deposits	-	-	-	-	-
Total assets	\$ 20,002	\$ 61,458	\$ 222,691	\$ 16,901	\$ 78
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 63,527	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	192,826	-	-
Total liabilities	63,527	-	192,826	-	-
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Restricted	-	61,458	29,865	-	78
Committed	-	-	-	16,901	-
Assigned	-	-	-	-	-
Unassigned (deficit)	(43,525)	-	-	-	-
Total fund balances	(43,525)	61,458	29,865	16,901	78
Total liabilities, deferred inflows of resources and fund balances	\$ 20,002	\$ 61,458	\$ 222,691	\$ 16,901	\$ 78

City of Ridgecrest
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

Special Revenue Funds

	Business Park	Supplemental Law Enforcement	Landscaping and Lighting	Drainage Assessments Benefits AD	Fire Facilities Improvements
ASSETS					
Cash and investments	\$ 38,566	\$ -	\$ 109,324	\$ -	\$ 312,751
Receivables:					
Accounts	-	-	-	-	-
Interest	165	489	483	-	1,317
Loans	-	-	-	-	-
Deposits	-	-	-	-	-
Total assets	\$ 38,731	\$ 489	\$ 109,807	\$ -	\$ 314,068
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5,907	\$ -	\$ -
Due to other funds	-	-	-	1,799	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	5,907	1,799	-
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Restricted	-	489	-	-	314,068
Committed	-	-	-	-	-
Assigned	38,731	-	103,900	-	-
Unassigned (deficit)	-	-	-	(1,799)	-
Total fund balances	38,731	489	103,900	(1,799)	314,068
Total liabilities, deferred inflows of resources and fund balances	\$ 38,731	\$ 489	\$ 109,807	\$ -	\$ 314,068

(Continued)

City of Ridgecrest
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

Special Revenue Funds

	Traffic Impact Fee	Park Development Impact Fee	Law Enforcement Improvement Fee	Storm Drainage Facilities	Community Partnership Grant
ASSETS					
Cash and investments	\$ 1,714,579	\$ 238,838	\$ 340,982	\$ 1,653,160	\$ 139
Receivables:					
Accounts	-	-	-	-	-
Interest	7,345	1,024	1,422	6,972	1
Loans	-	-	-	-	-
Deposits	-	-	-	-	-
Total assets	\$ 1,721,924	\$ 239,862	\$ 342,404	\$ 1,660,132	\$ 140
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Restricted	1,721,924	239,862	342,404	1,660,132	140
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	1,721,924	239,862	342,404	1,660,132	140
Total liabilities, deferred inflows of resources and fund balances	\$ 1,721,924	\$ 239,862	\$ 342,404	\$ 1,660,132	\$ 140

(Continued)

City of Ridgecrest
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
	Housing Authority	Sub-Standard Streets Improvements	
ASSETS			
Cash and investments	\$ 149,754	\$ 608,444	\$ 5,478,625
Receivables:			
Accounts	-	-	7,844
Interest	573	2,608	23,597
Loans	221,856	-	221,856
Deposits	-	10,241	10,241
Total assets	\$ 372,183	\$ 621,293	\$ 5,742,163
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 69,434
Due to other funds	-	-	1,799
Unearned revenue	-	-	192,826
Total liabilities	-	-	264,059
Deferred Inflows of Resources:			
Unavailable revenue	221,856	-	221,856
Total deferred inflows of resources	221,856	-	221,856
Fund Balances:			
Restricted	150,327	-	4,520,747
Committed	-	621,293	638,194
Assigned	-	-	142,631
Unassigned (deficit)	-	-	(45,324)
Total fund balances	150,327	621,293	5,256,248
Total liabilities, deferred inflows of resources and fund balances	\$ 372,183	\$ 621,293	\$ 5,742,163

(Concluded)

City of Ridgecrest
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				
	State Gas Tax Special Revenue Fund	Road Maintenance and Rehabilitation Act Fund	Grant Operations		TDA Street Fund
			Special Revenue Fund	Park Development	
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 332,146
Intergovernmental	537,556	138,255	94,742	-	-
License and permits	-	-	-	-	-
Assessment levied	-	-	-	-	-
Use of money and property	31	-	1,928	219	119
Other revenues	1,767	-	-	-	-
Total revenues	539,354	138,255	96,670	219	332,265
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	2,102,743	44,569	16,723	-	-
Community development	-	-	-	-	-
Capital outlay	159,337	-	-	-	-
Total expenditures	2,262,080	44,569	16,723	-	-
REVENUES OVER (UNDER) EXPENDITURES	(1,722,726)	93,686	79,947	219	332,265
OTHER FINANCING SOURCES (USES):					
Transfers In	2,134,196	-	-	-	-
Transfers Out	(379,789)	(32,228)	(94,135)	-	(499,643)
Total other financing sources (uses)	1,754,407	(32,228)	(94,135)	-	(499,643)
Net changes in fund balances	31,681	61,458	(14,188)	219	(167,378)
FUND BALANCES:					
Beginning of year	(75,206)	-	44,053	16,682	167,456
End of year	\$ (43,525)	\$ 61,458	\$ 29,865	\$ 16,901	\$ 78

(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, 2018

Special Revenue Funds

	Business Park	Supplemental Law Enforcement	Landscaping and Lighting	Drainage Assessments Benefits AD	Fire Facilities Improvements
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	139,416	-	-	-
License and permits	-	-	-	-	34,331
Assessment levied	-	-	72,369	-	-
Use of money and property	500	1,154	1,089	-	3,858
Other revenues	-	-	-	-	-
Total revenues	500	140,570	73,458	-	38,189
EXPENDITURES:					
Current:					
Public safety	-	-	379	-	-
Public works	-	-	16,748	1,799	-
Community development	-	-	11,993	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	-	29,120	1,799	-
REVENUES OVER (UNDER) EXPENDITURES	500	140,570	44,338	(1,799)	38,189
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	-	-
Transfers Out	-	(140,359)	-	-	-
Total other financing sources (uses)	-	(140,359)	-	-	-
Net changes in fund balances	500	211	44,338	(1,799)	38,189
FUND BALANCES:					
Beginning of year	38,231	278	59,562	-	275,879
End of year	<u>\$ 38,731</u>	<u>\$ 489</u>	<u>\$ 103,900</u>	<u>\$ (1,799)</u>	<u>\$ 314,068</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, 2018

Special Revenue Funds

	Traffic Impact Fee	Park Development Impact Fee	Law Enforcement Improvement Fee	Storm Drainage Facilities	Community Partnership Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
License and permits	198,647	-	57,710	169,879	-
Assessment levied	-	-	-	-	-
Use of money and property	21,486	3,099	4,088	20,455	2
Other revenues	-	-	-	-	-
Total revenues	220,133	3,099	61,798	190,334	2
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	220,133	3,099	61,798	190,334	2
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	-	-
Transfers Out	(30,857)	-	-	-	-
Total other financing sources (uses)	(30,857)	-	-	-	-
Net changes in fund balances	189,276	3,099	61,798	190,334	2
FUND BALANCES:					
Beginning of year	1,532,648	236,763	280,606	1,469,798	138
End of year	<u>\$ 1,721,924</u>	<u>\$ 239,862</u>	<u>\$ 342,404</u>	<u>\$ 1,660,132</u>	<u>\$ 140</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, 2018

	Special Revenue Funds	Capital Projects Funds	
	Housing Authority	Sub-Standard Streets Improvements	Total Other Governmental Funds
REVENUES:			
Taxes	\$ -	\$ -	\$ 332,146
Intergovernmental	-	-	909,969
License and permits	-	-	460,567
Assessment levied	-	-	72,369
Use of money and property	8,493	7,896	74,417
Other revenues	20,663	-	22,430
Total revenues	29,156	7,896	1,871,898
EXPENDITURES:			
Current:			
Public safety	-	-	379
Public works	-	-	2,182,582
Community development	26	-	12,019
Capital outlay	-	-	159,337
Total expenditures	26	-	2,354,317
REVENUES OVER (UNDER) EXPENDITURES	29,130	7,896	(482,419)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	2,134,196
Transfers Out	-	-	(1,177,011)
Total other financing sources (uses)	-	-	957,185
Net changes in fund balances	29,130	7,896	474,766
FUND BALANCES:			
Beginning of year	121,197	613,397	4,781,482
End of year	<u>\$ 150,327</u>	<u>\$ 621,293</u>	<u>\$ 5,256,248</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 6,419	\$ 6,419
Transfers from Fiduciary Fund	763,794	763,794	361,137	402,657
Total revenues	<u>763,794</u>	<u>763,794</u>	<u>367,556</u>	<u>409,076</u>
EXPENDITURES:				
Current:				
General government	1,500	1,500	1,500	-
Debt service:				
Principal	510,000	510,000	5,440,000	(4,930,000)
Interest	252,294	252,294	307,403	(55,109)
Total expenditures	<u>763,794</u>	<u>763,794</u>	<u>5,748,903</u>	<u>(4,985,109)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(5,381,347)</u>	<u>(4,576,033)</u>
Net change in fund balance	<u>\$ (763,794)</u>	<u>\$ (763,794)</u>	<u>(5,381,347)</u>	<u>\$ (4,985,109)</u>
FUND BALANCE:				
Beginning of year			<u>5,381,347</u>	
End of year			<u>\$ -</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ 262,382	\$ 262,384	\$ 2
Intergovernmental	-	420,699	371,475	(49,224)
Use of money and property	-	-	4,259	4,259
Transfers from Fiduciary Fund	-	3,957,953	3,909,315	(48,638)
Total revenues	-	4,641,034	4,547,433	(93,601)
EXPENDITURES:				
Capital outlay	-	4,532,002	4,428,683	103,319
Total expenditures	-	4,532,002	4,428,683	103,319
REVENUES OVER (UNDER) EXPENDITURES	-	109,032	118,750	9,718
OTHER FINANCING SOURCES (USES):				
Transfers in	-	161,075	147,344	(13,731)
Total other financing sources (uses)	-	161,075	147,344	(13,731)
Net change in fund balance	\$ -	\$ 270,107	266,094	\$ (4,013)
FUND BALANCE:				
Beginning of year			340,151	
End of year			<u>\$ 606,245</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 595,514	\$ 595,514	\$ 537,556	\$ (57,958)
Use of property and money	-	-	31	31
Other revenues	193,948	1,102	1,767	665
Total revenues	<u>789,462</u>	<u>596,616</u>	<u>539,354</u>	<u>(57,262)</u>
EXPENDITURES:				
Current:				
Public works	2,249,022	2,293,833	2,102,743	191,090
Capital outlay	55,000	159,352	159,337	15
Total expenditures	<u>2,304,022</u>	<u>2,453,185</u>	<u>2,262,080</u>	<u>191,105</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,514,560)</u>	<u>(1,856,569)</u>	<u>(1,722,726)</u>	<u>133,843</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,940,946	2,116,461	2,134,196	17,735
Transfers Out	(373,324)	(373,324)	(379,789)	(6,465)
Total other financing sources (uses)	<u>1,567,622</u>	<u>1,743,137</u>	<u>1,754,407</u>	<u>11,270</u>
Net change in fund balances	<u>\$ 53,062</u>	<u>\$ (113,432)</u>	31,681	<u>\$ 145,113</u>
FUND BALANCE:				
Beginning of year			<u>(75,206)</u>	
End of year			<u>\$ (43,525)</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Road Maintenance Rehabilitation Act - Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -	\$ 193,948	\$ 138,255	\$ (55,693)
Total revenues	<u>-</u>	<u>193,948</u>	<u>138,255</u>	<u>(55,693)</u>
EXPENDITURES:				
Current:				
Public works	-	46,000	44,569	1,431
Total expenditures	<u>-</u>	<u>46,000</u>	<u>44,569</u>	<u>1,431</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>147,948</u>	<u>93,686</u>	<u>(54,262)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(32,228)	(32,228)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(32,228)</u>	<u>(32,228)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 147,948</u>	<u>61,458</u>	<u>\$ (86,490)</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ 61,458</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Grant Operations - Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 94,742	\$ 94,742
Use of property and money	-	-	1,928	1,928
Total revenues	<u>-</u>	<u>-</u>	<u>96,670</u>	<u>96,670</u>
EXPENDITURES:				
Current:				
Public works	-	16,724	16,723	1
Total expenditures	<u>-</u>	<u>16,724</u>	<u>16,723</u>	<u>1</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(16,724)</u>	<u>79,947</u>	<u>96,671</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(94,135)	(94,135)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(94,135)</u>	<u>(94,135)</u>
Net change in fund balances	<u>\$ -</u>	<u>(16,724)</u>	<u>(14,188)</u>	<u>\$ 2,536</u>
FUND BALANCE:				
Beginning of year			44,053	
End of year			<u>\$ 29,865</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
TDA Street Fund - Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 540,946	\$ 540,946	\$ 332,146	\$ (208,800)
Use of money and property	200	200	119	(81)
Total revenues	<u>541,146</u>	<u>541,146</u>	<u>332,265</u>	<u>(208,881)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(540,946)	(540,946)	(499,643)	41,303
Total other financing sources (uses)	<u>(540,946)</u>	<u>(540,946)</u>	<u>(499,643)</u>	<u>41,303</u>
Net change in fund balance	<u>\$ 200</u>	<u>\$ 200</u>	(167,378)	<u>\$ (167,578)</u>
FUND BALANCE:				
Beginning of year			<u>167,456</u>	
End of year			<u>\$ 78</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Supplemental Law Enforcement - Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 139,416	\$ 39,416
Use of property and money	-	-	1,154	1,154
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>140,570</u>	<u>40,570</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(100,000)	(100,000)	(140,359)	(40,359)
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(140,359)</u>	<u>(40,359)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	211	<u>\$ 211</u>
FUND BALANCE:				
Beginning of year			<u>278</u>	
End of year			<u>\$ 489</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Landscaping and Lighting - Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessment levied	\$ 13,200	\$ 13,200	\$ 72,369	\$ 59,169
Use of property and money	100	100	1,089	989
Total revenues	<u>13,300</u>	<u>13,300</u>	<u>73,458</u>	<u>60,158</u>
EXPENDITURES:				
Current:				
Public safety	3,200	3,200	379	2,821
Public works	61,983	48,805	16,748	32,057
Community development	28,509	33,709	11,993	21,716
Total expenditures	<u>93,692</u>	<u>85,714</u>	<u>29,120</u>	<u>56,594</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(80,392)</u>	<u>(72,414)</u>	<u>44,338</u>	<u>116,752</u>
Net change in fund balance	<u>\$ (80,392)</u>	<u>\$ (72,414)</u>	<u>44,338</u>	<u>\$ 116,752</u>
FUND BALANCE:				
Beginning of year			<u>59,562</u>	
End of year			<u>\$ 103,900</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Drainage Assessments Benefits AD - Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
Public works	\$ 3,010	\$ 3,010	\$ 1,799	\$ 1,211
Community development	5,000	5,000	-	5,000
Total expenditures	<u>8,010</u>	<u>8,010</u>	<u>1,799</u>	<u>6,211</u>
Net change in fund balance	<u>\$ (8,010)</u>	<u>\$ (8,010)</u>	(1,799)	<u>\$ 6,211</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ (1,799)</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Traffic Impact Fee - Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 198,647	\$ 198,647
Use of property and money	-	-	21,486	21,486
Total revenues	<u>-</u>	<u>-</u>	<u>220,133</u>	<u>220,133</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(30,858)	(30,857)	1
Total other financing sources (uses)	<u>-</u>	<u>(30,858)</u>	<u>(30,857)</u>	<u>1</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (30,858)</u>	189,276	<u>\$ 220,134</u>
FUND BALANCE:				
Beginning of year			<u>1,532,648</u>	
End of year			<u>\$ 1,721,924</u>	

City of Ridgecrest
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Law Enforcement Improvement Fee - Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 35,000	\$ 35,000	\$ 57,710	\$ 22,710
Use of property and money	715	715	4,088	3,373
Total revenues	<u>35,715</u>	<u>35,715</u>	<u>61,798</u>	<u>26,083</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(110,000)	(110,000)	-	110,000
Total other financing sources (uses)	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>	<u>110,000</u>
Net change in fund balance	<u>\$ (74,285)</u>	<u>\$ (74,285)</u>	61,798	<u>\$ 136,083</u>
FUND BALANCE:				
Beginning of year			<u>280,606</u>	
End of year			<u>\$ 342,404</u>	

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Internal Service Funds



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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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, 2018

	Human Resource and Risk Management	Self Insurance Workers Comp	Fleet Maintenance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 912,877	\$ 43,953	\$ 202,121	\$ 1,158,951
Interest receivable	4,963	-	796	5,759
Inventories	-	-	17,759	17,759
Total current assets	917,840	43,953	220,676	1,182,469
Noncurrent assets:				
Capital assets:				
Depreciable	-	-	412,893	412,893
Less: accumulated depreciation	-	-	(412,893)	(412,893)
Total capital assets	-	-	-	-
Total noncurrent assets	-	-	-	-
Total assets	917,840	43,953	220,676	1,182,469
LIABILITIES				
Current Liabilities:				
Accounts payable	1,098	43,953	10,658	55,709
Other payroll deductions payable	44,074	-	-	44,074
Claims payable - due within one year	450,986	-	-	450,986
Total current liabilities	496,158	43,953	10,658	550,769
Noncurrent liabilities:				
Claims payable - due in more than one year	1,052,300	-	-	1,052,300
Total noncurrent liabilities	1,052,300	-	-	1,052,300
Total liabilities	1,548,458	43,953	10,658	1,603,069
NET POSITION				
Unrestricted (deficit)	(630,618)	-	210,018	(420,600)
Total net position	\$ (630,618)	\$ -	\$ 210,018	\$ (420,600)

City of Ridgecrest
Combining Statements of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2018

	Human Resource and Risk Management	Self Insurance Workers Comp	Fleet Maintenance	Total
OPERATING REVENUES:				
Charges for services	\$ 315,128	\$ -	\$ 375,083	\$ 690,211
Other revenue	748,989	-	-	748,989
Total operating revenues	<u>1,064,117</u>	<u>-</u>	<u>375,083</u>	<u>1,439,200</u>
OPERATING EXPENSES:				
Administration	1,064,281	839,104	332,367	2,235,752
Total operating expenses	<u>1,064,281</u>	<u>839,104</u>	<u>332,367</u>	<u>2,235,752</u>
OPERATING INCOME (LOSS)	<u>(164)</u>	<u>(839,104)</u>	<u>42,716</u>	<u>(796,552)</u>
NONOPERATING REVENUES:				
Investment income	15,771	20	2,343	18,134
Total nonoperating revenues	<u>15,771</u>	<u>20</u>	<u>2,343</u>	<u>18,134</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>15,607</u>	<u>(839,084)</u>	<u>45,059</u>	<u>(778,418)</u>
TRANSFERS:				
Transfers in	841,573	839,084	-	1,680,657
Transfers out	(1,119,050)	-	(42,720)	(1,161,770)
Total transfers	<u>(277,477)</u>	<u>839,084</u>	<u>(42,720)</u>	<u>518,887</u>
Changes in net position	<u>(261,870)</u>	<u>-</u>	<u>2,339</u>	<u>(259,531)</u>
NET POSITION:				
Beginning of year	(368,748)	-	207,679	(161,069)
End of year	<u>\$ (630,618)</u>	<u>\$ -</u>	<u>\$ 210,018</u>	<u>\$ (420,600)</u>

City of Ridgecrest
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2018

	Human Resource and Risk Management	Self Insurance Workers Comp	Fleet Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from user departments	\$ 315,128	\$ -	\$ 375,083	\$ 690,211
Payments to suppliers or employees for goods and services	83,416	(824,460)	(333,136)	(1,074,180)
Insurance premiums and settlements and insurance recovery	(1,388,218)	-	-	(1,388,218)
Others	748,989	-	-	748,989
Net cash provided by (used in) operating activities	(240,685)	(824,460)	41,947	(1,023,198)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	841,573	839,084	-	1,680,657
Transfers out	(1,119,050)	-	(42,720)	(1,161,770)
Net cash provided by (used in) noncapital financing activities	(277,477)	839,084	(42,720)	518,887
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	13,624	20	1,939	15,583
Net cash provided by investing activities	13,624	20	1,939	15,583
Net change in cash and cash equivalents	(504,538)	14,644	1,166	(488,728)
CASH AND CASH EQUIVALENTS				
Beginning of year	1,417,415	29,309	200,955	1,647,679
End of year	\$ 912,877	\$ 43,953	\$ 202,121	\$ 1,158,951
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (164)	\$ (839,104)	\$ 42,716	\$ (796,552)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in current assets and liabilities:				
Inventories	-	-	848	848
Accounts payable	(3,794)	14,644	394	11,244
Salaries payable	-	-	(2,011)	(2,011)
Claims payable	(227,705)	-	-	(227,705)
Other payroll deductions payable	(9,022)	-	-	(9,022)
Total adjustments	(240,521)	14,644	(769)	(226,646)
Net cash provided by (used in) operating activities	\$ (240,685)	\$ (824,460)	\$ 41,947	\$ (1,023,198)

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Fiduciary Funds



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Statement of Fiduciary Net Position
Fiduciary Funds - Private Purpose Trust Funds
June 30, 2018

	Private Purpose Trust Funds		
	Donations	RDA Obligation Retirement	Total
ASSETS			
Cash and investments	\$ 3,667	\$ 3,967,467	\$ 3,971,134
Investments with fiscal agents	-	4,201	4,201
Interest receivable	15	21,093	21,108
Loans receivable	-	3,050,978	3,050,978
Capital assets:			
Non-depreciable	-	2,202,440	2,202,440
Depreciable, net	-	1,566,341	1,566,341
Total assets	<u>3,682</u>	<u>10,833,038</u>	<u>10,836,720</u>
LIABILITIES			
Accounts payable	-	6,078	6,078
Deposits payable	-	2,000	2,000
Unearned revenue	2,598	-	2,598
Interest payable	-	121,979	121,979
Due to City of Ridgecrest	-	2,504,615	2,504,615
Long-term debt	-	29,280,000	29,280,000
Total liabilities	<u>2,598</u>	<u>31,914,672</u>	<u>31,917,270</u>
NET POSITION			
Held in trust	<u>1,084</u>	<u>(21,081,634)</u>	<u>(21,080,550)</u>
Total net position	<u>\$ 1,084</u>	<u>\$ (21,081,634)</u>	<u>\$ (21,080,550)</u>

City of Ridgecrest
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Private Purpose Trust Funds
For the Year Ended June 30, 2018

	Private Purpose Trust Funds		
	Donations	RDA Obligation Retirement	Total
ADDITIONS:			
Taxes	\$ -	\$ 3,552,448	\$ 3,552,448
Revenue from use of money and property	49	106,987	107,036
Other revenue	1,068	-	1,068
Total additions	<u>1,117</u>	<u>3,659,435</u>	<u>3,660,552</u>
DEDUCTIONS:			
Community development	1,071	337,759	338,830
Depreciation expense	-	98,903	98,903
Interest expense	-	3,878,236	3,878,236
Transfers to City of Ridgecrest (Note 6)	-	4,562,229	4,562,229
Total deductions	<u>1,071</u>	<u>8,877,127</u>	<u>8,878,198</u>
Changes in net position	46	(5,217,692)	(5,217,646)
NET POSITION:			
Beginning of year	1,038	(15,863,942)	(15,862,904)
End of year	<u>\$ 1,084</u>	<u>\$ (21,081,634)</u>	<u>\$ (21,080,550)</u>

City of Ridgecrest
Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 455,489	\$ 5,378	\$ -	\$ 460,867
Interest receivable	1,048	1,137	-	2,185
Total assets	\$ 456,537	\$ 6,515	\$ -	\$ 463,052
Liabilities:				
Due to City of Ridgecrest	\$ 56,345	\$ -	\$ -	\$ 56,345
Due to bondholders - special assessment district	400,192	6,515	-	406,707
Total liabilities	\$ 456,537	\$ 6,515	\$ -	\$ 463,052

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Statistical Section



City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental activities					
Net investment in capital assets,	\$ 55,677,430	\$ 48,401,633	\$ 43,739,184	\$ 42,325,287	\$ 34,386,270
Restricted	6,470,708	11,058,233	11,197,956	9,961,497	10,718,146
Unrestricted	<u>(14,913,324)</u>	<u>(12,569,000)</u>	<u>(13,765,063)</u>	<u>(16,350,067)</u>	<u>(4,801,114)</u>
Total governmental activities net position	<u><u>47,234,814</u></u>	<u><u>46,890,866</u></u>	<u><u>41,172,077</u></u>	<u><u>35,936,717</u></u>	<u><u>40,303,302</u></u>
Business type activities					
Net investment in capital assets	16,263,175	16,710,100	14,635,228	15,069,345	15,581,116
Restricted	-	-	-	-	-
Unrestricted	<u>29,491,315</u>	<u>23,924,994</u>	<u>21,515,449</u>	<u>18,473,732</u>	<u>18,060,765</u>
Total business type activities net position	<u><u>45,754,490</u></u>	<u><u>40,635,094</u></u>	<u><u>36,150,677</u></u>	<u><u>33,543,077</u></u>	<u><u>33,641,881</u></u>
Primary government					
Net investment in capital assets	71,940,605	65,111,733	58,374,412	57,394,632	49,967,386
Restricted	6,470,708	11,058,233	11,197,956	9,961,497	10,718,146
Unrestricted	<u>14,577,991</u>	<u>11,355,994</u>	<u>7,750,386</u>	<u>2,123,665</u>	<u>13,259,651</u>
Total primary government net position	<u><u>\$ 92,989,304</u></u>	<u><u>\$ 87,525,960</u></u>	<u><u>\$ 77,322,754</u></u>	<u><u>\$ 69,479,794</u></u>	<u><u>\$ 73,945,183</u></u>

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

	Fiscal Years				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities					
Net investment in capital assets	\$ 35,668,108	\$ 35,805,602	\$ 8,428,496	\$ 31,515,820	\$ 32,676,918
Restricted	2,614,715	2,730,315	36,879,459	25,130,907	23,615,054
Unrestricted	<u>3,974,360</u>	<u>2,126,223</u>	<u>11,269,841</u>	<u>(220,511)</u>	<u>798,741</u>
Total governmental activities net position	<u><u>42,257,183</u></u>	<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>
Business type activities					
Net investment in capital assets	16,054,395	16,378,348	16,045,080	16,522,152	16,979,238
Restricted	-	-	-	-	-
Unrestricted	<u>16,389,245</u>	<u>15,849,625</u>	<u>9,755,416</u>	<u>11,109,512</u>	<u>11,807,479</u>
Total business type activities net position	<u><u>32,443,640</u></u>	<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>
Primary government					
Net investment in capital assets	51,722,503	52,183,950	24,473,576	48,037,972	49,656,156
Restricted	2,614,715	2,730,315	36,879,459	25,130,907	23,615,054
Unrestricted	<u>20,363,605</u>	<u>17,975,848</u>	<u>21,025,257</u>	<u>10,889,001</u>	<u>12,606,220</u>
Total primary government net position	<u><u>\$ 74,700,823</u></u>	<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>

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

	Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses					
Governmental activities:					
General government	\$ 5,019,286	\$ 1,751,017	\$ 1,754,299	\$ 2,298,464	\$ 2,393,838
Public safety	7,079,047	7,311,427	6,684,042	7,436,539	7,833,984
Public works	5,049,067	4,109,004	3,545,280	2,848,720	2,413,076
Transportation	87,535	82,051	2,213,317	3,284,356	2,097,999
Community development	-	1,089,482	1,018,186	817,626	703,912
Health	1,011,653	-	-	-	5,270
Culture and leisure	1,776,087	1,892,820	1,426,011	1,679,152	1,756,316
Interest and fiscal agent fees	227,286	255,588	275,499	292,989	319,028
Total governmental activities expenses	<u>20,249,961</u>	<u>16,491,389</u>	<u>16,916,634</u>	<u>18,657,846</u>	<u>17,523,423</u>
Business type activities:					
TDA Transit	552,170	849,257	832,756	757,646	868,224
Wastewater	1,579,721	1,599,732	2,496,953	2,082,287	1,519,731
Solid Waste Collection	-	-	-	-	-
Total business type activities expenses	<u>2,131,891</u>	<u>2,448,989</u>	<u>3,329,709</u>	<u>2,839,933</u>	<u>2,387,955</u>
Total primary government expenses	<u>\$ 22,381,852</u>	<u>\$ 18,940,378</u>	<u>\$ 20,246,343</u>	<u>\$ 21,497,779</u>	<u>\$ 19,911,378</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	236,180	291,687	267,637	270,810	326,982
Public safety	205,734	334,668	292,613	392,093	186,170
Public works	497,833	4,765	-	-	223,811
Transportation	-	-	-	-	13,970
Community development	-	468,418	704,566	287,611	-
Health	(9,478)	-	-	-	-
Culture and leisure	344,560	333,364	368,473	345,877	292,439
Operating grants and contributions	1,230,709	1,328,471	1,647,328	2,315,476	1,982,127
Capital grants and contributions	699,272	2,196,184	1,042,058	7,728,784	384,661
Total governmental activities program revenues	<u>3,204,810</u>	<u>4,957,557</u>	<u>4,322,675</u>	<u>11,340,651</u>	<u>3,410,160</u>
Business type activities:					
Charges for services:					
TDA Transit	208,178	309,271	252,822	252,359	273,698
Wastewater	6,259,227	6,084,876	5,803,024	3,893,420	2,650,298
Solid Waste Collection	-	-	-	-	-
Operating grants and contributions	87,869	451,898	93,577	92,834	259,868
Capital grants and contributions	-	-	-	-	-
Total business type activities program revenues	<u>6,555,274</u>	<u>6,846,045</u>	<u>6,149,423</u>	<u>4,238,613</u>	<u>3,183,864</u>
Total primary government program revenues	<u>\$ 9,760,084</u>	<u>\$ 11,803,602</u>	<u>\$ 10,472,098</u>	<u>\$ 15,579,264</u>	<u>\$ 6,594,024</u>
Net (Expense)/Revenue					
Governmental activities	(17,045,151)	(11,533,832)	(12,593,959)	(7,317,195)	(14,113,263)
Business type activities	4,423,383	4,397,056	2,819,714	1,398,680	795,909
Total primary government net expense	<u>\$ (12,621,768)</u>	<u>\$ (7,136,776)</u>	<u>\$ (9,774,245)</u>	<u>\$ (5,918,515)</u>	<u>\$ (13,317,354)</u>

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

	Fiscal Years				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses					
Governmental activities:					
General government	\$ 1,818,304	\$ 1,876,073	\$ 110,641	\$ 822,032	\$ 639,444
Public safety	7,161,993	6,683,638	7,990,857	7,577,267	7,706,699
Public works	2,787,797	2,758,511	3,041,354	319,912	2,056,581
Transportation	753,762	1,005,682	1,677,918	3,590,557	2,559,837
Community development	1,178,359	4,963,100	3,394,765	6,214,074	3,412,566
Health	76,939	-	63,565	23,813	92,882
Culture and leisure	1,745,953	1,648,072	2,088,659	2,087,149	2,428,923
Interest and fiscal agent fees	345,295	1,530,204	2,434,697	897,803	927,854
Total governmental activities expenses	<u>15,868,402</u>	<u>20,465,280</u>	<u>20,802,455</u>	<u>21,532,607</u>	<u>19,824,786</u>
Business type activities:					
TDA Transit	887,416	619,971	589,224	661,514	789,718
Wastewater	1,558,143	1,485,273	2,606,452	2,167,812	2,117,372
Solid Waste Collection	38,905	161,257	699,218	850,423	-
Total business type activities expenses	<u>2,484,464</u>	<u>2,266,501</u>	<u>3,894,894</u>	<u>3,679,749</u>	<u>2,907,090</u>
Total primary government expenses	<u>\$ 18,352,866</u>	<u>\$ 22,731,781</u>	<u>\$ 24,697,349</u>	<u>\$ 25,212,356</u>	<u>\$ 22,731,876</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	192,539	195,656	184,130	173,352	196,411
Public safety	304,361	298,244	310,398	391,308	371,973
Public works	25,000	-	-	-	-
Transportation	230	-	-	70	1,034
Community development	357,550	225,504	517,003	739,191	147,325
Health	-	41,754	-	-	-
Culture and leisure	326,930	425,213	475,348	500,996	484,910
Operating grants and contributions	1,979,447	1,622,484	1,885,581	1,253,997	1,384,420
Capital grants and contributions	2,332,772	1,057,999	998,583	939,616	766,742
Total governmental activities program revenues	<u>5,518,829</u>	<u>3,866,854</u>	<u>4,371,043</u>	<u>3,998,530</u>	<u>3,352,815</u>
Business type activities:					
Charges for services:					
TDA Transit	346,509	212,819	213,410	254,543	247,294
Wastewater	1,814,935	2,019,185	1,911,187	1,765,195	1,982,131
Solid Waste Collection	-	820	29,158	76,532	-
Operating grants and contributions	225,974	1,597,115	131,539	97,657	-
Capital grants and contributions	-	-	-	-	-
Total business type activities program revenues	<u>2,387,418</u>	<u>3,829,939</u>	<u>2,285,294</u>	<u>2,193,927</u>	<u>2,229,425</u>
Total primary government program revenues	<u>\$ 7,906,247</u>	<u>\$ 7,696,793</u>	<u>\$ 6,656,337</u>	<u>\$ 6,192,457</u>	<u>\$ 5,582,240</u>
Net (Expense)/Revenue					
Governmental activities	(10,349,573)	(16,598,426)	(16,431,412)	(17,534,077)	(16,471,971)
Business type activities	(97,046)	1,563,438	(1,609,600)	(1,485,822)	(677,665)
Total primary government net expense	<u>\$ (10,446,619)</u>	<u>\$ (15,034,988)</u>	<u>\$ (18,041,012)</u>	<u>\$ (19,019,899)</u>	<u>\$ (17,149,636)</u>

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

	Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Revenues and					
Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	2,326,379	1,976,015	2,125,926	1,600,406	1,967,098
Sales taxes	7,783,312	6,535,498	5,974,873	5,681,776	5,314,304
Transient occupancy taxes	1,553,230	1,585,442	1,443,149	1,218,081	1,150,741
Special assessments	532,936	392,664	1,639,143	282,488	74,113
Other taxes	767,820	709,003	714,218	703,389	694,879
Investment earnings	156,521	86,111	33,919	18,355	20,619
Miscellaneous	371,280	192,484	1,124,780	357,064	396,063
Gain (loss) on disposal of capital assets	-	-	-	-	-
Loss from dissolution of former RDA	-	-	-	-	-
Revenues from Fiduciary Fund	4,562,229	5,085,152	3,735,484	5,154,181	2,278,026
Transfers	111,008	690,252	1,037,827	615,822	263,539
Total governmental activities	<u>18,164,715</u>	<u>17,252,621</u>	<u>17,829,319</u>	<u>15,631,562</u>	<u>12,159,382</u>
Business type activities:					
Other taxes	505,553	618,970	721,500	577,392	614,050
Investment earnings	306,226	147,005	84,815	48,259	41,852
Miscellaneous	12,553	11,638	19,398	18,870	9,969
Capital Contribution	-	-	-	-	-
Transfers	(111,008)	(690,252)	(1,037,827)	(615,822)	(263,539)
Total business type activities	<u>713,324</u>	<u>87,361</u>	<u>(212,114)</u>	<u>28,699</u>	<u>402,332</u>
Total primary government	<u>\$ 18,878,039</u>	<u>\$ 17,339,982</u>	<u>\$ 17,617,205</u>	<u>\$ 15,660,261</u>	<u>\$ 12,561,714</u>
Change in Net Position					
Governmental activities	1,119,564	5,718,789	5,235,360	8,314,367	(1,953,881)
Business type activities	5,136,707	4,484,417	2,607,600	1,427,379	1,198,241
Total primary government	<u>\$ 6,256,271</u>	<u>\$ 10,203,206</u>	<u>\$ 7,842,960</u>	<u>\$ 9,741,746</u>	<u>\$ (755,640)</u>

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

	Fiscal Years				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Revenues and					
Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	3,284,155	6,252,553	9,616,160	10,044,411	9,915,676
Sales taxes	4,440,039	3,171,044	3,020,160	2,856,313	3,297,900
Transient occupancy taxes	1,094,855	1,151,215	1,144,883	1,411,903	1,347,063
Special assessments	170,658	292,654	-	-	-
Other taxes	720,671	573,695	1,771,046	1,838,583	1,613,908
Investment earnings	21,423	111,677	261,784	131,130	99,550
Miscellaneous	973,607	409,138	245,232	116,840	1,180,496
Gain (loss) on disposal of capital assets	-	-	-	-	-
Loss from dissolution of former RDA	-	(8,072,793)	-	-	-
Revenues from Fiduciary Fund	706,518	571,414	-	-	-
Transfers	532,690	(3,777,827)	523,727	470,400	444,799
Total governmental activities	<u>11,944,616</u>	<u>682,770</u>	<u>16,582,992</u>	<u>16,869,580</u>	<u>17,899,392</u>
Business type activities:					
Other taxes	768,613	890,633	248,368	665,449	776,431
Investment earnings	40,947	39,196	45,705	127,570	349,595
Miscellaneous	35,843	156,383	8,086	8,150	12,227
Capital Contribution	-	-	-	-	-
Transfers	(532,690)	3,777,827	(523,727)	(470,400)	(444,799)
Total business type activities	<u>312,713</u>	<u>4,864,039</u>	<u>(221,568)</u>	<u>330,769</u>	<u>693,454</u>
Total primary government	<u>\$ 12,257,329</u>	<u>\$ 5,546,809</u>	<u>\$ 16,361,424</u>	<u>\$ 17,200,349</u>	<u>\$ 18,592,846</u>
Change in Net Position					
Governmental activities	1,595,043	(15,915,656)	151,580	(664,497)	1,427,421
Business type activities	215,667	6,427,477	(1,831,168)	(1,155,053)	15,789
Total primary government	<u>\$ 1,810,710</u>	<u>\$ (9,488,179)</u>	<u>\$ (1,679,588)</u>	<u>\$ (1,819,550)</u>	<u>\$ 1,443,210</u>

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

	Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General fund					
Nonspendable	\$ 56,345	\$ 56,345	\$ 232	\$ 525	\$ 996
Restricted	562,891	480,047	341,946	247,365	213,216
Committed	-	-	-	-	-
Assigned	2,433,847	957,258	357,412	1,051,917	
Unassigned	(367,486)	(18,602)	1,017	(2,300,838)	(2,533,123)
Total general fund	<u>2,685,597</u>	<u>1,475,048</u>	<u>700,607</u>	<u>(1,001,031)</u>	<u>(2,318,911)</u>
All other governmental funds					
Nonspendable	-	4,629,159	5,114,159	5,584,159	6,034,159
Restricted	4,520,747	4,881,004	4,488,041	2,978,577	3,341,192
Committed	638,194	630,079	577,399	555,508	923,079
Assigned	748,876	437,944	676,411	595,888	206,500
Unassigned	(45,324)	(75,206)	(36,194)	(19,831)	-
Total all other governmental fund	<u>\$ 5,862,493</u>	<u>\$ 10,502,980</u>	<u>\$ 10,819,816</u>	<u>\$ 9,694,301</u>	<u>\$ 10,504,930</u>
TOTAL FUND BALANCES	<u>\$ 8,548,090</u>	<u>\$ 11,978,028</u>	<u>\$ 11,520,423</u>	<u>\$ 8,693,270</u>	<u>\$ 8,186,019</u>

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

	Fiscal Years				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General fund					
Nonspendable	\$ 1,935	\$ -	\$ -	\$ -	\$ -
Restricted	300,242	69,667	164,835	302,583	665,322
Committed	-			-	-
Assigned	-		375,678	-	-
Unassigned	<u>(2,491,783)</u>	<u>(4,300,138)</u>	<u>(613,171)</u>	<u>236,708</u>	<u>903,897</u>
Total general fund	<u>(2,189,606)</u>	<u>(4,230,471)</u>	<u>(72,658)</u>	<u>539,291</u>	<u>1,569,219</u>
All other governmental funds					
Nonspendable	6,464,159	6,874,159	-		
Restricted	3,065,829	3,412,004	44,735,139	11,019,602	11,158,572
Committed	544,340	527,029	30,421		
Assigned	466,216	274,695	4,208,621		
Unassigned	<u>838,902</u>	<u>(339,858)</u>	<u>(164,741)</u>	<u>13,937,333</u>	<u>12,508,015</u>
Total all other governmental fund	<u>\$ 11,379,446</u>	<u>\$ 10,748,029</u>	<u>\$ 48,809,440</u>	<u>\$ 24,956,935</u>	<u>\$ 23,666,587</u>
TOTAL FUND BALANCES	\$ 9,189,840	\$ 6,517,558	\$ 48,736,782	\$ 25,496,226	\$ 25,235,806

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

	Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues					
Taxes	\$ 13,152,082	\$ 11,510,228	\$ 10,968,507	\$ 10,030,177	\$ 9,880,106
Intergovernmental	1,353,224	2,965,293	2,128,892	9,384,909	1,906,762
Licenses, permits and fees	913,327	796,224	2,299,752	549,406	256,780
Fines and forfeitures	45,540	70,153	57,869	72,806	84,493
Use of money and property	284,202	271,516	220,630	253,342	245,182
Charges for services	491,351	548,420	552,666	553,864	389,830
Assessment levied	72,369	32,068	19,676	10,526	10,526
Transfers from Fiduciary Fund	4,562,229	5,085,152	3,735,484	5,154,181	2,278,026
Other revenue	378,442	241,083	1,141,106	358,840	403,262
Total revenues	<u>21,252,766</u>	<u>21,520,137</u>	<u>21,124,582</u>	<u>26,368,051</u>	<u>15,454,967</u>
Expenditures					
General Government	2,097,342	1,859,295	1,840,348	2,540,062	2,170,611
Public safety	6,424,222	6,562,421	7,000,933	7,315,370	7,513,168
Public works	2,690,681	1,473,982	356,541	438,038	392,764
Transportation			2,206,292	3,805,537	2,109,108
Community development	906,075	922,933	1,109,245	725,192	619,829
Health	18,499	34,707	-	-	-
Culture and leisure	1,557,797	1,591,654	1,371,883	1,449,654	1,250,608
Capital outlay	4,814,881	7,488,021	4,274,384	9,244,943	1,963,373
Debt service:					
Principal	5,440,000	485,000	470,000	562,689	537,102
Interest	325,328	262,216	281,766	301,407	328,494
Cost of Issuance	-	-	-	-	-
Total expenditures	<u>24,274,825</u>	<u>20,680,229</u>	<u>18,911,392</u>	<u>26,382,892</u>	<u>16,885,057</u>
Excess of revenues over (under) expenditures	<u>(3,022,059)</u>	<u>839,908</u>	<u>2,213,190</u>	<u>(14,841)</u>	<u>(1,430,090)</u>
Other financing sources (uses)					
Proceeds from capital lease	-	-	-	-	-
Bond discount	-	-	-	-	-
Transfers in	2,981,036	3,329,759	3,546,397	3,424,771	2,771,099
Transfers out	<u>(3,388,915)</u>	<u>(3,712,062)</u>	<u>(2,932,464)</u>	<u>(2,902,679)</u>	<u>(2,344,830)</u>
Total other financing sources (uses)	<u>(407,879)</u>	<u>(382,303)</u>	<u>613,933</u>	<u>522,092</u>	<u>426,269</u>
Net change in fund balances	<u>\$ (3,429,938)</u>	<u>\$ 457,605</u>	<u>\$ 2,827,123</u>	<u>\$ 507,251</u>	<u>\$ (1,003,821)</u>
Debt service as a percentage of non-capital expenditures	29.6%	5.7%	5.1%	5.0%	5.8%

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

	Fiscal Years				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues					
Taxes	\$ 11,295,144	\$ 11,696,784	\$ 15,793,330	\$ 15,530,273	\$ 16,223,465
Intergovernmental	2,699,957	2,353,056	2,602,093	2,575,356	2,111,122
Licenses, permits and fees	361,759	506,334	721,502	986,291	490,564
Fines and forfeitures	115,390	77,254	87,534	131,851	110,785
Use of money and property	135,907	240,867	392,414	255,750	422,410
Charges for services	492,815	569,653	633,109	828,784	656,543
Assessment revenues	4,393	-	-	-	-
Transfers from Fiduciary Fund	706,518	571,414			
Other revenue	990,033	369,651	226,512	127,332	850,061
Total revenues	<u>16,801,916</u>	<u>16,385,013</u>	<u>20,456,494</u>	<u>20,435,637</u>	<u>20,864,950</u>
Expenditures					
General Government	1,544,277	1,916,341	672,184	934,445	1,083,484
Public safety	6,230,447	6,872,186	7,190,421	7,302,660	7,248,370
Public works	165,284	376,341	466,230	323,167	2,056,584
Transportation	659,715	1,087,475	1,100,140	1,174,816	-
Community development	756,476	4,450,458	2,546,036	5,370,242	2,543,211
Health	-	-	-	205	61,417
Culture and leisure	1,557,343	1,604,073	1,847,674	1,899,143	2,184,997
Capital outlay	2,867,058	1,319,036	6,368,168	1,321,645	-
Debt service:					
Principal	534,190	534,418	7,901,849	1,109,695	1,065,747
Interest	354,312	1,356,477	2,410,055	900,785	932,768
Cost of Issuance	-	-	262,832	-	-
Total expenditures	<u>14,669,102</u>	<u>19,516,805</u>	<u>30,765,589</u>	<u>20,336,803</u>	<u>17,176,578</u>
Excess of revenues over (under) expenditures	<u>2,132,814</u>	<u>(3,131,792)</u>	<u>(10,309,095)</u>	<u>98,834</u>	<u>3,688,372</u>
Other financing sources (uses)					
Proceeds from capital lease	-	-	34,380,000	231,645	-
Bond discount	-	-	(725,259)	-	-
Transfers in	3,211,991	5,288,101	14,026,383	10,627,925	10,114,766
Transfers out	<u>(2,672,523)</u>	<u>(8,137,761)</u>	<u>(14,131,473)</u>	<u>(10,697,985)</u>	<u>(8,715,289)</u>
Total other financing sources (uses)	<u>539,468</u>	<u>(2,849,660)</u>	<u>33,549,651</u>	<u>161,585</u>	<u>1,399,477</u>
Net change in fund balances	<u>\$ 2,672,282</u>	<u>\$ (5,981,452)</u>	<u>\$ 23,240,556</u>	<u>\$ 260,419</u>	<u>\$ 5,087,849</u>
Debt service as a percentage of non-capital expenditures	7.5%	10.4%	42.3%	10.6%	11.6%

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>
2017-2018	144,584	752,898	2,398,569	7,711,121	1,553,230	675,811	13,236,213
2016-2017	144,905	696,403	2,058,828	6,452,685	1,585,442	459,629	11,397,892
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

NOTES:

- 1) Property tax amounts include state reimbursement of homeowners property tax relief and real property transfer tax and property tax in lieu of MVLFF. 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>Fiscal Years</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>
Residential	1,251,771,276	1,167,123,275	1,068,010,028	1,092,525,005	1,069,793,922
Commercial	252,639,635	240,625,807	225,510,393	223,912,566	233,678,787
Industrial	18,153,574	18,977,532	18,074,075	17,932,576	18,100,825
Government	5,113	5,017	59,571	64,153	171,731
Institutional	14,315,723	12,330,675	11,065,209	9,867,943	11,683,412
Miscellaneous	167,563	164,278	161,811	158,642	157,926
Recreational	8,765,625	10,172,213	8,412,087	8,131,483	8,120,756
Vacant Land	56,019,484	51,949,910	55,352,678	57,178,455	59,944,917
SBE Non-Unitary	1,089	1,089	800	89,975	89,975
Unsecured	35,138,901	33,221,298	33,975,856	36,089,423	35,264,251
Exempt	(5,138,156)	(5,632,678)	(5,519,156)	(5,116,781)	(4,865,220)
Unknown	-	-	-	-	-
TOTALS	1,636,977,983	1,534,571,094	1,420,622,508	1,445,950,221	1,437,006,502
Total Direct Rate	0.06443%	0.06442%	0.06443%	0.06443%	0.06459%

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
Last Ten Fiscal Years (Continued)

<u>CATEGORY</u>	<u>Fiscal Years</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Residential	1,073,678,607	1,107,100,892	1,078,999,165	1,108,999,868	1,084,808,408
Commercial	233,122,309	232,239,002	232,784,394	237,376,125	205,319,656
Industrial	18,635,376	18,661,585	18,532,812	17,843,091	18,105,232
Government	168,551	165,432	164,272	167,751	161,605
Institutional	19,549,674	8,442,440	8,534,530	8,540,128	14,877,479
Miscellaneous	154,830	237,022	235,252	240,526	238,916
Recreational	7,863,497	8,968,482	5,308,333	5,603,484	5,000,813
Vacant Land	63,789,381	73,750,197	72,475,273	75,024,042	71,345,463
SBE Non-Unitary	863,043	863,043	842,761	842,761	842,761
Unsecured	40,690,119	38,000,781	34,479,690	38,641,463	38,435,738
Exempt	(4,632,331)	(4,320,437)	(4,173,918)	(4,314,950)	(4,173,979)
Unknown	-	-	-	-	543,791
TOTALS	1,458,515,387	1,488,428,876	1,452,356,482	1,493,279,239	1,439,679,862
Total Direct Rate	0.68945%	0.69386%	0.68764%	0.69471%	0.68295%

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	
Year	Levy per Prop. 13	Debt Rate(s)	Total City Rates			
2017-2018	0.05190%	0.00000%	0.05190%	-	0.06443%	
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%	

10 Year Detail Breakdown of the Property Tax Dollar										
Agency	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
City of Ridgecrest¹	0.05190	0.05190	0.05190	0.05190	0.05190	0.05468	0.05469	0.05469	0.05196	0.05196
Sierra Sands Child Dev	0.00000	0.00000	0.00509	0.00509	0.00509	0.00000	0.00509	0.00509	0.00509	0.00509
County Advertising	0.00075	0.00075	0.00074	0.00072	0.00069	0.00069	0.00070	0.00070	0.00070	0.00070
East Kern Reservation Conservat	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 Augmentatic	0.13010	0.15040	0.12500	0.12510	0.12510	0.12712	0.12210	0.12211	0.12490	0.12490
Kern County Fire Fund	0.10580	0.08550	0.10580	0.10580	0.10580	0.10580	0.10580	0.10580	0.10580	0.10580
Kern Community College	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06770	0.06789
Kern County General Fund	0.14110	0.14110	0.14110	0.14110	0.14110	0.14140	0.14130	0.14130	0.14130	0.14130
Kern County Water Agency	0.00718	0.00718	0.00718	0.00718	0.00718	0.00718	0.00719	0.00718	0.00718	0.00719
Sierra Unified School	0.47560	0.47560	0.47560	0.47560	0.47561	0.47560	0.47560	0.47560	0.47560	0.47560
TOTAL PROP. 13 RATE⁴	1.00000									
Kern Community College	0.03625	0.01318	0.01357	0.01045	0.01264	0.00850	0.00906	0.01012	0.00940	0.00905
Sierra Sand Unified School Distri	0.06669	0.06412	0.06697	0.06163	0.06261	0.05698	0.05833	0.05688	0.05113	0.04077
Total Voter Approved Rate³	0.10294	0.07730	0.08055	0.07208	0.07525	0.06548	0.06739	0.06700	0.06053	0.04982
TOTAL TAX RATE	1.10294	1.07730	1.08055	1.07208	1.07525	1.06548	1.06739	1.06700	1.06053	1.04982

NOTES:

not be included in tax ratio figures.

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 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. 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 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 2018 and Ten Years Prior

	2017-2018			2008-2009		
	<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>
Walmart Stores Inc	1	\$ 19,973,364	1.22%	1	\$ 9,451,834	0.66%
K Partners Ridgecrest I LP	2	19,093,745	1.17%	6	7,094,760	0.49%
Ridgecrest Regional Hospital	3	9,252,642	0.57%			
Home Depot Dev Maryland Inc	4	8,074,150	0.49%	3	8,456,733	0.59%
Naval Weapons Federal Credit Union	5	7,327,507	0.45%			
Peekay Investments Properties LLC	6	6,897,300	0.42%			
La Mirage Condos LLC	7	6,852,437	0.42%			
ABS California O LLC/Albertsons	8	6,250,672	0.38%	2	8,574,244	0.60%
China Lake and Ridgecrest LLC	9	6,144,751	0.38%			
El Rey Properties	10	6,047,640	0.37%			
Carriage Inn				4	8,062,875	0.56%
Ridgecrest Medl First Mortgage				5	7,300,020	0.51%
Inland Westn MDS Portfolio LLC				7	6,758,438	0.47%
Ridgecrest Heritage Inn				8	6,732,587	0.47%
Pam Ridgecrest Venture LLC				9	6,248,818	0.43%
US Bank NA Trust				10	5,953,461	0.41%
Top Ten Totals		<u>\$ 95,914,208</u>	<u>5.86%</u>		<u>\$ 74,633,770</u>	<u>5.18%</u>
CITY TOTALS		1,636,977,983			1,439,742,482	

Source: HdL Coren & Cone

**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>
2018	408,548	410,279	100.42%	-	410,279	100.42%
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%

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				
2018	-	-	-	-	-	-	0.00%	\$ -	
2017	5,440,000	-	-	-	-	5,440,000	0.61%	\$ 189	
2016	5,925,000	-	-	-	-	5,925,000	0.72%	\$ 209	
2015	6,395,000	-	-	-	-	6,395,000	0.80%	\$ 228	
2014	6,845,000	-	-	-	112,689	6,957,689	0.87%	\$ 245	
2013	7,275,000	-	-	-	219,790	7,494,790	0.90%	\$ 262	
2012	7,685,000	-	-	-	343,981	8,028,981	0.99%	\$ 283	
2011	8,080,000	34,280,000	-	-	483,399	42,843,399	5.43%	\$ 1,525	
2010	8,460,000	7,290,000	-	400,000	615,249	16,765,249	2.15%	\$ 604	
2009	8,830,000	7,905,000	-	600,000	739,943	18,074,943	2.43%	\$ 637	

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			
2018	-	-	-	-	0.00%	\$ -
2017	5,440,000	-	-	5,440,000	0.35%	\$ 189
2016	5,925,000	-	-	5,925,000	0.36%	\$ 209
2015	6,395,000	-	-	6,395,000	0.42%	\$ 228
2014	6,845,000	-	-	6,845,000	0.48%	\$ 241
2013	7,275,000	-	-	7,275,000	0.50%	\$ 254
2012	7,685,000	-	-	7,685,000	0.53%	\$ 271
2011	8,080,000	34,280,000	-	42,360,000	2.90%	\$ 1,508
2010	8,460,000	7,290,000	-	15,750,000	1.06%	\$ 567
2009	8,830,000	7,905,000	-	16,735,000	1.15%	\$ 590
2008	9,190,000	8,490,000	115,000	17,795,000	1.19%	\$ 637

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, 2018

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Debt Outstanding 6/30/2018	% Applicable ¹	City's Share of Debt as of 6/30/18
Kern Community College District Safety, Repair & Improvement District	\$ 128,956,081	1.936%	\$ 2,496,590
Kern Community College District School Facilities Improvement District No. 1	40,225,000	1.924%	773,929
Sierra Sands Joint Unified School District	20,018,195	76.665%	15,346,949
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 18,617,468
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Kern County Certificates of Participation	99,645,710	1.865%	1,858,392
Kern County Pension Obligation Bonds	231,489,315	1.865%	4,317,276
Kern County Board of Education Certificates of Participation	37,190,000	1.865%	693,594
Kern County Community College District Certificates of Participation	30,115,000	1.740%	524,001
Kern County Community College District Benefit Obligations	78,805,000	1.740%	1,371,207
Sierra Sands Joint Unified School District General Fund Obligations	14,820,450	76.665%	11,362,098
City of Ridgecrest	-	100.000%	-
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 20,126,568
 OVERLAPPING TAX INCREMENT DEBT	 29,280,000	 100.000%	 \$ 29,280,000
TOTAL DIRECT DEBT			\$ -
TOTAL OVERLAPPING DEBT			\$ 68,024,036
 COMBINED TOTAL DEBT			 \$ 68,024,036

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 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Assessed value	\$ 1,636,977,983	\$ 1,534,571,094	\$ 1,420,622,508	\$ 1,445,950,221	\$ 1,437,006,502
Debt limit (15% of assessed value)	245,546,697	230,185,664	213,093,376	216,892,533	215,550,975
Debt applicable to limit:					
General obligation bonds	-	5,440,000	5,925,000	6,395,000	6,845,000
Less: Amount set aside for repayment of general obligation debt	4,201	752,188	751,359	751,356	751,356
Total net debt applicable to limit	<u>(4,201)</u>	<u>4,687,812</u>	<u>5,173,641</u>	<u>5,643,644</u>	<u>6,093,644</u>
Legal Debt Margin	245,550,898	225,497,852	207,919,735	211,248,889	209,457,331
Total debt applicable to the limit as a percentage of debt limit	<u>0.00%</u>	<u>2.04%</u>	<u>2.43%</u>	<u>2.60%</u>	<u>2.83%</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
Last Ten Fiscal Years (Continued)

Legal Debt Margin Calculation	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Assessed value	\$ 1,458,515,387	\$ 1,488,428,876	\$ 1,452,356,482	\$ 1,493,279,239	\$ 1,439,679,862
Debt limit (15% of assessed value)	218,777,308	223,264,331	217,853,472	223,991,886	215,951,979
Debt applicable to limit:					
General obligation bonds	7,275,000	7,685,000	42,360,000	15,750,000	16,735,000
Less: Amount set aside for repayment of general obligation debt	<u>751,356</u>	<u>751,356</u>	<u>4,247,727</u>	<u>1,807,736</u>	<u>1,808,337</u>
Total net debt applicable to limit	<u>6,523,644</u>	<u>6,933,644</u>	<u>38,112,273</u>	<u>13,942,264</u>	<u>14,926,663</u>
Legal Debt Margin	212,253,664	216,330,687	179,741,199	210,049,622	201,025,316
Total debt applicable to the limit as a percentage of debt limit	<u>2.98%</u>	<u>3.11%</u>	<u>17.49%</u>	<u>6.22%</u>	<u>6.91%</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

Fiscal Year	Special Assessment Collections	Current Account Balance	Debt Service		Coverage
			Principal	Interest	
2018	-	24,659	-	-	-
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

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>
2018	28,822	892,632,904	30,971	35.1	5,579	2.70%
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%

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 2018 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*	7,995	1	61.03%	5,991	1	0.00%
Ridgecrest Regional Hospital (Includes Bella	728	2	5.56%	400	4	0.00%
Searles Valley Minerals	650	3	4.96%	647	3	0.00%
Sierra Sands Unified School District	631	4	4.82%	650	2	0.00%
Walmart	318	5	2.43%	250	6	0.00%
Cerro Coso Community College	170	6	1.30%	220	8	0.00%
Albertson's Inc (2 Locations)	152	7	1.16%			
Alta One Credit Union (3 Locations in Ridgec	149	8	1.14%			
City of Ridgecrest**	125	9	0.95%	225	7	0.00%
Jacobs Technology	101	10	0.77%	360	5	0.00%
Desert Area Resources				183	9	0.00%
SA-Tech (System Applic & Tech)				162	10	0.00%
			84.11%			0.00%
	Total City Employment**		13,100			

NOTES:

* Includes civilians, military, and contractors

** Includes full time and part time

(1) Total city employment provided by Edd Labor Force Data. 2008-09 data was unavailable

(-) No data available.

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	Fiscal Years									
	<u>2018</u>	<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>
General Government										
City Council	5	5	5	5	5	5	5	5	5	5
City Manager	1	1	1.4	1.5	1	1	1	3	3	4.5
City Clerk	1	1	1.05	1	1	1	1	1	1.25	1
Finance	5	6	6	5.5	5.5	5	6	6	6	6
Information Technology	2	2	2	2	2	2	3	3	3.5	3.5
Human Resources	1	1	1	1.5	1.5	1	0	1.5	1.5	1.5
Community Development	2	5.5	4.55	4.5	5	5	6	8	8	8
Planning Commissioners	5	5	5	5	5	5	5	5	5	5
Public Safety										
Police Officers-Sworn	32	32	32	32	32	31	31	34	35	33
Other Full Time Employees	19	19	17	17	17	14.5	16	16	15.75	16
PACT Volunteers	79	84	82	89	83	45	50	9	9	9
Public Works										
Engineering	4	5	4	4	3	3	4	4	4	3
Maintenance	7	7	7	7	7	6	7	8	8	9
Transit Services	8	8	8	8	8	8	7	7	7	7
Wastewater/Sewer	5	5	5	5	5	4	4	6	7	6
Culture & Recreation	20.2	19.2	30	27	24	23	39	32.5	22.5	29

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

FUNCTION/PROGRAM	Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Police					
Physical Arrests	2609	2972	1495	2805	1281
Parking Violations	293	195	126	148	114
Traffic Violations	478	325	408	458	792
Community Development					
Building Permits Issued	759	1655	1305	604	1020
Building Permits Valuation (in millions)	19.9	17	21	6	9
Building Inspections Performed	1924	3523	2718	2684	1925
Planning Permits Issued	127	see note b	see note b	173	163
Public Services					
Street Resurfacing (miles)	6.5	8.8	7	8	1.8
Street Light Replacement ^a	n/a	n/a	n/a	n/a	n/a
Potholes Filled	1,540	1,650	1,800	2,200	2,400
Waste Water Average Daily Treatment (millions of gallons)	2.242	2.48	2.18	2.16	2.33
Transit Route (Service) Miles	143,290	98,317	97,006	96,112	95,869
Transit Passenger Count	12,151	15,957	13,629	17,101	17,724
Parks & Recreation					
Sports Field Participation	130,869	129,869	103,449	81,259	75,113
Community Center/Gym/Pool Participation	69,707	69,707	76,259	105,984	103,218
Other Participation	65,605	65,605	36,094	65,713	72,615

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
Last Ten Fiscal Years (As of June 30) (Continued)

FUNCTION/PROGRAM	Fiscal Years				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Police					
Physical Arrests	2346	2417	2416	2605	2667
Parking Violations	293	188	97	237	278
Traffic Violations	1540	937	1150	2054	2034
Community Development					
Building Permits Issued	705	302	423	439	144
Building Permits Valuation (in millions)	5	19	13	18	12
Building Inspections Performed	1603	4299	2510	2759	5086
Planning Permits Issued	137	113	69	77	161
Public Services					
Street Resurfacing (miles)	2	2.5	2.5	1	3
Street Light Replacement ^a	n/a	n/a	n/a	n/a	n/a
Potholes Filled	3,600	2,783	2,565	540	600
Waste Water Average Daily Treatment (millions of gallons)	2.31	2.52	2.621	2.674	2.57
Transit Route (Service) Miles	76,849	64,438	92,925	61,092	86,965
Transit Passenger Count	13,516	17,131	27,223	12,977	27,478
Parks & Recreation					
Sports Field Participation	70,917	85,409	89,293	89,735	91,359
Community Center/Gym/Pool Participation	95,785	90,655	68,325	68,645	73,499
Other Participation	45,312	45,816	35,370	35,370	35,370

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>2018</u>	<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>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (marked)	20	20	20	18	17	17	10	13	13	18
Motorecycle unit	4	4	4	5	8	7	3	6	6	2
K-9 unit	1	1	1	1	1	1	1	1	2	1
Streets										
Streets (miles)	216	216	216	216	216	132	131	130	130	130
Streetlights ²	1540	1540	1540	1502	1469	1520	1523	1524	1515	1492
Traffic Signals										
CalTrans maintained	7	7	7	7	7	7	7	7	6	6
City of Ridgecrest maintained	14	14	12	12	10	9	9	9	8	7
Culture & Recreation										
Total Park Acreage	46.88	46.88	46.88	46.88	46.88	46.88	46.88	46.88	21.88	25.88
Parks ¹	5	5	5	5	5	5	5	5	5	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	0	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	142*	170	170	165	265
Storm Sewers (miles)	5	5	5	5	5	5	5	5	5	5
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	8	7	6	0	0	0	0
Dial A Ride	1	1	1	2	2	3	5	5	6	7
Bus Shelters	10	10	9	8	8	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

City of Ridgecrest
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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**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***

Independent Auditors' Report

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, 2018, 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 28, 2018.

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.

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*.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

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

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 28, 2018