

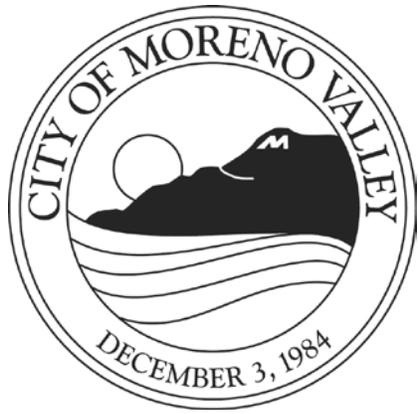
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY, CALIFORNIA



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010
(WITH INDEPENDENT AUDITORS' REPORT THEREON)





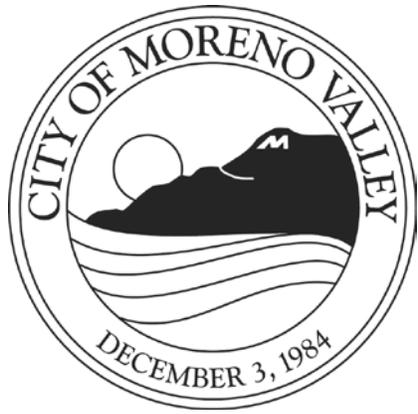
**Community Redevelopment Agency
of the City of Moreno Valley**

Financial Statements

Year Ended June 30, 2010

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Board of Directors
Community Redevelopment Agency of the City of Moreno Valley
Moreno Valley, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Community Redevelopment Agency of the City of Moreno Valley ("Agency"), a component unit of the City of Moreno Valley, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the Community Redevelopment Agency of the City of Moreno Valley. Our responsibility is to express opinions on these component unit 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of the Community Redevelopment Agency of the City of Moreno Valley at June 30, 2010, and the respective changes in financial position of the Agency for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Agency has not presented *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Community Redevelopment Agency of the City of Moreno Valley's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Directors
Community Redevelopment Agency of the City of Moreno Valley
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2010 on our consideration of the Community Redevelopment Agency of the City of Moreno Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 21, 2010

**Community Redevelopment Agency
of the City of Moreno Valley**

**Statement of Net Assets
June 30, 2010**

	<u>Governmental Activities</u>
Assets:	
Pooled cash and investments (note 3)	\$ 81,080,237
Receivables:	
Accounts	22,578
Notes and loans (note 4)	17,567,422
Interest	231,023
Due from the City of Moreno Valley	4,500
Due from other governments	73,572
Land held for redevelopment	3,916,126
Advances to the City of Moreno Valley	220,500
Capital assets not being depreciated (note 5)	9,561,919
Depreciable capital assets, net of accumulated depreciation (note 5)	11,082,108
	123,759,985
Total Assets	123,759,985
Liabilities:	
Accounts payable	191,611
Accrued liabilities	77,214
Accrued interest payable on long-term debt	855,368
Due to the City of Moreno Valley	1,932,005
Due to other governments (note 9)	4,846,739
Long-term liabilities (note 6):	
Due within one year	428,513
Due in more than one year	102,053,126
	110,384,576
Total Liabilities	110,384,576
Net Assets:	
Invested in capital assets, net of related debt	3,651,413
Restricted for low and moderate housing	29,461,460
Unrestricted (deficit)	(19,737,464)
	\$ 13,375,409
Total Net Assets	\$ 13,375,409

See Notes to Financial Statements

**Community Redevelopment Agency
of the City of Moreno Valley**

**Statement of Activities
Year ended June 30, 2010**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total
Functions/Programs				
Governmental Activities:				
General government	\$ 1,845,563	\$ -	\$ -	\$ (1,845,563)
Community development	7,749,655	-	-	(7,749,655)
Interest on long-term debt	5,177,345	-	-	(5,177,345)
Total Governmental Activities	\$ 14,772,563	\$ -	\$ -	(14,772,563)
General Revenues:				
Taxes:				
Tax increment (net of pass through payments)				4,377,602
Sales taxes				924,570
Use of money and property				3,110,838
Miscellaneous				9,136
Transfers to the City of Moreno Valley				(1,564,143)
Total General Revenues and Transfers				6,858,003
Change in Net Assets				(7,914,560)
Net Assets, Beginning of Year, as Restated				21,289,969
Net Assets, End of Year				\$ 13,375,409

See Notes to Financial Statements

**Community Redevelopment Agency
of the City of Moreno Valley
Governmental Funds
Balance Sheet
June 30, 2010**

	Moreno Valley Redevelopment Project			
	Capital Projects Funds		Debt Service Funds	
	Projects and Administration	Low and Moderate Housing	Debt Service	Totals
Assets:				
Pooled cash and investments (note 3)	\$ 40,492,646	\$ 7,935,482	\$ 32,652,109	\$ 81,080,237
Receivables:				
Accounts	22,578	-	-	22,578
Notes and loans (note 4)	-	17,567,422	-	17,567,422
Interest	-	231,023	-	231,023
Due from other governments	-	-	73,572	73,572
Due from the City of Moreno Valley	4,500	-	-	4,500
Land held for redevelopment	3,718,466	197,660	-	3,916,126
Advances to other funds (note 7)	-	3,564,945	-	3,564,945
Advances to the City of Moreno Valley	-	-	220,500	220,500
Total Assets	\$ 44,238,190	\$ 29,496,532	\$ 32,946,181	\$ 106,680,903
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 186,234	\$ 5,377	\$ -	\$ 191,611
Accrued liabilities	47,519	29,695	-	77,214
Due to other governments (note 9)	-	-	4,846,739	4,846,739
Due to the City of Moreno Valley	1,927,292	-	4,713	1,932,005
Deferred revenue	-	231,023	12,000	243,023
Advances from other funds (note 7)	-	-	3,564,945	3,564,945
Total Liabilities	\$ 2,161,045	\$ 266,095	\$ 8,428,397	\$ 10,855,537
Fund Balances:				
Reserved:				
Reserved for encumbrances	\$ 1,234,082	\$ 4,004,250	\$ -	\$ 5,238,332
Reserved for debt service	-	-	22,500,000	22,500,000
Reserved for long-term receivables	-	17,567,422	-	17,567,422
Reserved for land held for redevelopment	3,718,466	197,660	-	3,916,126
Reserved for advances to other funds	-	3,564,945	-	3,564,945
Reserved for advances to the City of Moreno Valley	-	-	220,500	220,500
Unreserved:				
Unreserved, reported in nonmajor:				
Designated:				
Designated for continuing appropriations	33,691,617	3,896,160	-	37,587,777
Undesignated	3,432,980	-	1,797,284	5,230,264
Total Fund Balances	\$ 42,077,145	\$ 29,230,437	\$ 24,517,784	\$ 95,825,366
Total Liabilities & Fund Balances	\$ 44,238,190	\$ 29,496,532	\$ 32,946,181	\$ 106,680,903

See Notes to Financial Statements

**Community Redevelopment Agency
of the City of Moreno Valley**

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010**

Fund balances of governmental funds \$ 95,825,366

Amounts reported for governmental activities in the statement of net assets are different because:

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

Capital assets not being depreciated	9,561,919
Depreciable capital assets, net of accumulated depreciation	11,082,108

Revenues in the statement of activities that do not provided current financial resources are not reported as revenues in the statement of revenues, expenditures, and changes in fund balances. These revenues are reported as deferred revenue in the balance sheet of governmental funds.

243,023

Accrued interest payable for the current portion of interest due on long-term liabilities are not reported in the funds.

(855,368)

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

(102,481,639)

Net assets of governmental activities

\$ 13,375,409

See Notes to Financial Statements

**Community Redevelopment Agency
of the City of Moreno Valley
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
Year ended June 30, 2010**

	Moreno Valley Redevelopment Project			
	Capital Projects Funds		Debt Service Funds	
	Projects and Administration	Low and Moderate Housing	Debt Service	Totals
Revenues:				
Taxes and assessments:				
Tax increment	-	3,782,660	16,628,548	20,411,208
Sales taxes	-	-	924,570	924,570
Use of money and property	1,527,525	443,877	1,078,549	3,049,951
Miscellaneous	5,206	3,930	-	9,136
Total Revenues	\$ 1,532,731	\$ 4,230,467	\$ 18,631,667	\$ 24,394,865
Expenditures:				
Current:				
General government	\$ 704,381	\$ 897,418	\$ 243,764	\$ 1,845,563
Community development	2,528,084	3,250	-	2,531,334
Debt Service:				
Principal retirement	-	-	330,436	330,436
Interest and fiscal charges	-	-	3,606,824	3,606,824
Pass-through agreement payments	-	-	10,775,369	10,775,369
SERAF payment	-	-	5,258,237	5,258,237
Total Expenditures	\$ 3,232,465	\$ 900,668	\$ 20,214,630	\$ 24,347,763
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(1,699,734)	3,329,799	(1,582,963)	47,102
Other Financing Sources (Uses)				
Transfers in (note 7)	\$ 2,018,689	\$ -	\$ -	\$ 2,018,689
Transfers out (note 7)	-	-	(2,018,689)	(2,018,689)
Transfers from the City of Moreno Valley	-	7,000	4,237	11,237
Transfers to the City of Moreno Valley	-	-	(1,575,380)	(1,575,380)
Total Other Financing Sources (Uses)	2,018,689	7,000	(3,589,832)	(1,564,143)
Net Change in Fund Balances	318,955	3,336,799	(5,172,795)	(1,517,041)
Fund Balances, Beginning of Year, as restated (note 8)	41,758,190	25,893,638	29,690,579	97,342,407
Fund Balances, End of Year	\$ 42,077,145	\$ 29,230,437	\$ 24,517,784	\$ 95,825,366

See Notes to Financial Statements

**Community Redevelopment Agency
of the City of Moreno Valley**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2010**

Net change in fund balances of governmental funds	\$ (1,517,041)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(581,285)
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Redevelopment projects that develop capital assets for the City of Moreno Valley are not recognized as assets of the Agency (construction in progress), but are reported as community development expenditures.

	(4,637,036)
--	-------------

Repayment of principal on long-term debt consumes current financial resources of governmental funds, but does not have any effect of net assets in the statement of activities.

	330,436
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Accrued interest payable on long-term debt reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.

	(1,570,521)
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Revenues in the statement of activities that do not provided current financial resources are not reported as revenues in the statement of revenues, expenditures, and changes in fund balances. These revenues are reported as deferred revenue in the balance sheet of governmental funds.

	60,887
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Net assets of governmental activities	\$ (7,914,560)
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See Notes to Financial Statements

**Community Redevelopment Agency
of the City of Moreno Valley**

**Notes to Financial Statements
Year Ended June 30, 2010**

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Community Redevelopment Agency of the City of Moreno Valley, California, is a component unit of a reporting entity that consists of the following primary and component units:

Reporting Entity:

Primary Government:

City of Moreno Valley

Component Units:

Community Redevelopment Agency of the City of Moreno Valley
Community Services District of the City of Moreno Valley
Community Facilities Districts No. 2 and No. 3
Towngate Community Facilities District No. 87-1
Moreno Valley Public Facilities Financing Corporation
Moreno Valley Public Financing Authority
Industrial Development Authority

The attached basic financial statements contain information relative only to the Community Redevelopment Agency of the City of Moreno Valley as one component unit, which is an integral part of the total reporting entity. They do not contain financial data relating to the other component units.

The Community Redevelopment Agency of the City of Moreno Valley (the Agency) was created by a City Council ordinance adopted on February 18, 1986. The Agency was established pursuant to the State of California Health and Safety Code, Section 33000, entitled Community Redevelopment Law. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the City of Moreno Valley (the City).

Governmental Accounting Standards define the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either: a) the primary government has the ability to impose its will, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Since the City Council of the City of Moreno Valley also serves as the Governing Board of the Agency, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the Agency. Accordingly, in applying the criteria of Governmental Accounting Standards, the financial statements of the Agency are included in the City's Comprehensive Annual Financial Report. There are no other entities that are considered to be component units of the Agency. The Agency has the same fiscal year end as the City and its financial statements can be obtained from the City Clerk.

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, while grant revenues have an availability period of 120 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Agency reports the following major governmental funds:

The Projects & Administration Capital Projects Fund accounts for the financing, construction and administrative activities of the Agency.

The Low and Moderate Housing Capital Projects Fund accounts for 20% of tax increment set aside for low and moderate housing activities.

The Debt Service Fund accounts for the accumulation of resources for the payment of interest and principal on long-term debt of the Agency.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

1. Investments

Investments for the Agency are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property tax revenue attach as an enforceable lien on property as of January 1. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31. The County of Riverside bills and collects the property taxes, and remits them to the Agency in installments during the year. Property taxes received within 60 days after the Agency's fiscal year end are considered "measureable" and "available" and are accrued in the Agency's financial statements.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5 – 50
Furniture and Equipment	3 – 15
Vehicles	3 – 10
Infrastructure	25 – 50

In accordance with GASB Statement No. 34, the Agency is required to report general infrastructure assets.

Buildings are depreciated using the straight-line method over the estimated useful life of 50 years.

5. Deferred Revenue

The government reports unearned revenue on its combined balance sheet. Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

7. Salary Expenditures

The Agency does not employ any personnel and relies on the City of Moreno Valley (City) for administrative services. The financial statements include expenditures for salary and other benefits, which were allocated to the Agency by the City.

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

8. Land Held for Redevelopment

Land purchased for the purposes of resale (or contribution to a redevelopment project) is recorded at the Agency's cost to purchase the property or, upon entering into a contract for sale, the estimated net realizable value, if lower.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for all Governmental Fund types. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various Agency departments.

Reported budget amounts represent the original legally adopted budget as amended. The City Council, acting as the Agency Board, may approve amendments to the budget during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriations limit as imposed by Article XIII B of the State Constitution.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the Governmental Fund types, unexpended budgeted amounts, except for amounts relating to capital projects, lapse at the end of the budget year. Spending control for most funds is established by the amount of expenditures budgeted for each department within the fund, but management control is exercised at budgetary line item levels within the departments. Management can transfer budgeted amounts between operating programs, departments, or funds, provided that such transfers do not increase the overall budget. Appropriations that increase the budget require City Council, acting as the Agency Board, approval.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year. Encumbrances at year-end are a portion of the reserved fund balance and are reappropriated the following year.

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 2: Stewardship, Compliance and Accountability (Continued)

b. Budgetary Data (Continued)

Budget Basis Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 3: Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City \$81,080,237

The Agency's funds are pooled with the City of Moreno Valley's cash and investments in order to generate optimum interest income. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc. is available in the annual report of the City.

Note 4: Notes and Loans Receivable

Notes and Loans receivable of \$17,567,422 consisted primarily of loans and advances to developers for various projects. A summary of amounts owed to the Agency at June 30, 2010 follows:

Cottonwood Properties	\$ 3,847,806
Rancho Dorado	2,800,000
Sheila Street Rehabilitation	2,651,875
Oakwood	2,250,000
RHDC Properties	1,892,166
CVHC	1,639,450
Crippled Children	824,917
Bay Family Apartments	755,000
Perris Isle	413,000
Others	<u>493,208</u>
Total	<u>\$ 17,567,422</u>

Note 5: Capital Assets

A summary of changes in capital assets follows:

	Balances 6/30/2009	Additions	Deletions	Balances 6/30/2010
Non-Depreciable Assets:				
Land	\$ 4,445,989	\$ 5,115,930	\$ -	\$ 9,561,919
Construction in Progress	<u>9,752,966</u>	<u>-</u>	<u>(9,752,966) *</u>	<u>-</u>
Total Non-Depreciable Assets	<u>14,198,955</u>	<u>5,115,930</u>	<u>(9,752,966)</u>	<u>9,561,919</u>
Depreciable Assets:				
Buildings and Improvements	12,191,837	-	-	12,191,837
Furniture and Equipment	352,837	-	-	352,837
Infrastructure	<u>1,152,231</u>	<u>-</u>	<u>-</u>	<u>1,152,231</u>
Total Depreciable Assets	<u>13,696,905</u>	<u>-</u>	<u>-</u>	<u>13,696,905</u>

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 5: Capital Assets (Continued)

Accumulated Depreciation:				
Buildings and Improvements	(1,705,870)	(487,673)	-	(2,193,543)
Furniture and Equipment	(246,985)	(70,567)	-	(317,552)
Infrastructure	(80,657)	(23,045)	-	(103,702)
Total Accumulated Depreciation	<u>(2,033,512)</u>	<u>(581,285)</u>	-	<u>(2,614,797)</u>
Depreciable Assets, Net of Depreciation	<u>11,663,393</u>	<u>(581,285)</u>	-	<u>11,082,108</u>
Total Capital Assets, Net of Depreciation	<u>\$ 25,862,348</u>	<u>\$ 4,534,645</u>	<u>\$ (9,752,966)</u>	<u>\$ 20,644,027</u>

*Redevelopment projects in progress that develop capital assets for the City of Moreno Valley have been removed and expended as community development expenditures.

Depreciation expense was charged to functions/programs of the Agency as follows:

Governmental Activities:	
Community development	<u>\$ 581,285</u>

Note 6: Long-Term Liabilities

- a. A description of the Agency's long-term liabilities outstanding is as follows:

Note Payable, Price Company

The Agency had recorded a long-term payable in the original amount of \$2,433,744 under a development and disposition agreement and promissory note with Price Company for the reimbursement of costs of construction of a 130,000 square-foot-retail store. The note bears interest at 8% per annum and is payable solely from 50% of site-generated sales tax. Any remainder payable after September 2015 will be forgiven. The amount outstanding as of June 30, 2010 was \$2,023,648.

Long-Term Liabilities to the City of Moreno Valley:

The Towngate Regional Mall notes (Sears Note), totaling \$13,000,000, originated from a participation agreement (as amended) whereby the Agency acquired certain parcels within the mall for subsequent transfer to major tenants. The notes bear interest of 7.25% and are payable solely from available site-generated property tax increment and up to 50% of site-generated sales tax. Furthermore, the Agency had covenanted to use reasonable best efforts to refinance these notes with Tax Allocation Bonds, provided such financing is determined to be fiscally feasible. At June 30, 2010, accrued interest amounted to \$4,489,369. During 2003-2004, the City purchased the rights to the notes from the holder. These amounts are now payable to the City and were previously reported in the Project Fund and are now reported as a long-term liability in the government-wide financial statements.

In 2005, the Agency purchased improved property from the City – the Conference and Recreation Center. The purchase price was \$14,203,946. The loan note was \$11,503,946 after the initial payment of \$2,700,000. A subsequent principal payment of \$29,124 was made in 2004-2005. The term is 20 years with 12% simple interest. The Agency will make partial interest only annual payments with a balloon payment due at the end of the term. At June 30, 2010, the outstanding principal and accrued interest balances are \$11,474,822 and \$5,517,792, respectively.

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 6: Long-Term Liabilities (Continued)

The Agency owes the City a total of \$652,248 in future sales tax revenue for funds borrowed to finance redevelopment activities. \$518,520 represents monies borrowed during 2006-2007 by the Agency. \$133,728 represents monies borrowed during 2007-2008 by the Agency. The interest rate on the borrowings is 12% and repayment of the long-term payable is made when funds become available. At June 30, 2010, the outstanding accrued interest on these borrowings is \$218,760.

In November 2007, the Agency issued 2007 Series B, Subordinate Taxable Tax Allocation Bonds in the original issue amount of \$22,500,000. These bonds were purchased by the City of Moreno Valley. The proceeds of the bonds will remain unspent pending the outcome of litigation between the Agency and the County of Riverside concerning the interpretation of a pass-through agreement between the Agency and the County. The Agency will pay monthly interest only debt service payments to the City of Moreno Valley. The interest rate is variable and is expected to approximate a rate of return the Agency achieves from investing the bond proceeds. During the year, the amount of interest earned and paid to the City was \$457,378. If the Agency is successful in its litigation, it would begin receiving additional tax increment revenue to pay all or part of the debt service on the bonds. At that point, the bonds will be remarketed within five years and the proceeds used for the purpose of financing various redevelopment improvement projects. The bonds may be redeemed in total or in part at any time. At June 30, 2010, the outstanding principal balance is \$22,500,000.

A summary of amounts owed to the City at June 30, 2010 follows:

<u>Borrowing Purpose</u>	<u>Principal</u>	<u>Interest</u>
Towngate Regional Mall (Sears)	\$13,000,000	\$4,489,369
Conference and Recreation Center	11,474,822	5,517,792
2007 TABs Series B	22,500,000	-
Redevelopment	<u>652,248</u>	<u>218,760</u>
Total	<u>\$47,627,070</u>	<u>\$10,225,921</u>

2007 Tax Allocation Bonds, Series A

In November 2007, the Agency issued 2007 Tax Allocation Bonds, Series A, in the original issue amount of \$43,495,000 for the purpose of financing various redevelopment activities and other undertakings permitted under the Redevelopment Law, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial and term fashion through August 1, 2038 and bear interest ranging from 3.5% to 5.0%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on August 1, 2017. The bonds are payable solely from Tax Increment Revenues and other funds and amounts pledged therefore pursuant to the Indenture. This issue is fully insured in the event of nonpayment by the Agency.

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 6: Long-Term Liabilities (Continued)

2007 Series A
Tax Allocation Bonds

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 130,000	\$ 2,050,284
2012	210,000	2,043,484
2013	220,000	2,034,884
2014	230,000	2,025,884
2015	230,000	2,017,259
2016-2020	1,255,000	9,948,956
2021-2025	4,930,000	9,456,244
2026-2030	9,595,000	7,659,804
2031-2035	12,850,000	4,923,750
2036-2039	<u>12,955,000</u>	<u>1,335,124</u>
	<u>\$ 42,605,000</u>	<u>\$ 43,495,673</u>

Annual maturities for certain balances of long-term debt have not been presented, as fixed maturities have not been established.

The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2010:

	Balances * <u>6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>6/30/2010</u>	<u>Due within One Year</u>
Price Company Note	\$ 2,234,084	\$ -	\$ (210,436)	\$ 2,023,648	\$ -
City Loans - Principal	47,627,070	-	-	47,627,070	-
City Loans - Unpaid Interest	8,653,400	2,855,126	(1,282,605)	10,225,921	298,513
2007 Tax Allocation Bonds Series A	<u>42,725,000</u>	<u>-</u>	<u>(120,000)</u>	<u>42,605,000</u>	<u>130,000</u>
Total Long-Term Liabilities	<u>\$ 101,239,554</u>	<u>\$ 2,855,126</u>	<u>\$ (1,613,041)</u>	<u>\$ 102,481,639</u>	<u>\$ 428,513</u>

Note 7: Interfund Receivables, Payables and Transfers

a. Advances to / from other funds

<u>Funds</u>	<u>Advances Receivable</u>	<u>Advances Payable</u>
Capital Projects Funds: Low and Moderate Housing	\$ 3,564,945	\$ -
Debt Service Funds: Tax Increment Fund	<u>-</u>	<u>3,564,945</u>
Totals	<u>\$ 3,564,945</u>	<u>\$ 3,564,945</u>

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 7: Interfund Receivables, Payables and Transfers (Continued)

a. Advances to / from other funds (Continued)

In June 2007, the Low and Moderate Income Housing Capital Projects Fund advanced to the Tax Increment Debt Service Fund \$4,157,976 to finance the purchase of certain properties. Repayments will be made annually in an amount equal to 5% of the principal balance. Interest payments will be made annually based on the Agency's approximate average investment returns on monies. During the year, a principal payment of \$187,628 was made. The outstanding balance as of June 30, 2010 was \$3,564,945.

b. Transfers to / from other funds

Funds	Transfers In	Transfers Out	Net Transfers In (Out)
Capital Projects Fund:			
Administration	\$ 704,381	\$ -	\$ 704,381
Capital Projects	1,314,308	-	1,314,308
Total Projects and Administration	2,018,689	-	2,018,689
Debt Service Fund:			
Tax Increment	-	(4,653,848)	(4,653,848)
2007 TABSs Series A	2,177,781	-	2,177,781
2007 TABSs Series B	457,378	-	457,378
Total Debt Service	2,635,159	(4,653,848)	(2,018,689)
Total Transfers In (Out)	\$ 4,653,848	\$ (4,653,848)	\$ -

The Tax Increment Debt Service Fund transferred \$704,381 and \$1,314,308 to the Administration Capital Projects Fund and the Projects Capital Projects Fund, respectively, to cover operating expenditures for the year.

The Tax Increment Debt Service Fund transferred \$2,177,781 and \$457,378 to the 2007 TABS Series A Debt Service Fund and the 2007 TABS Series B Debt Service Fund, respectively, to cover debt service expenditures for the year.

Note 8: Prior Period Adjustments

During the year, the Agency split their Capital Projects fund into two funds: the Projects and Administration Capital Projects Fund and the Debt Service Fund. This was done to better identify debt service activity for the Agency. As such the beginning fund balance of the funds changed as follows:

Fund Financial Statements:

	<u>Capital Projects Fund</u> <u>Projects and</u> <u>Administration Fund</u>	<u>Debt Service Fund</u>
Fund balance at beginning of year, as previously reported	\$ 71,448,769	\$ 0
Fund balance split for debt service	<u>(29,690,579)</u>	<u>29,690,579</u>
Fund balance at beginning of year, as restated	<u>\$ 41,758,190</u>	<u>\$ 29,690,579</u>

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 9: Commitments and Contingencies

Riverside County Agreement

During December 1987, the City of Moreno Valley and the Agency entered into an agreement with the County of Riverside to reimburse the County for the portion of tax increment the County would have been allocated and paid had there not been a redevelopment project adopted in the City. The Agency receives these amounts up to \$7 million annually. The County will receive all annual tax increment in excess of \$7 million until the total increment reaches \$12 million and half of annual tax increment in excess of \$12 million. When total tax increment paid to the County under this agreement from increments between \$7 million and \$12 million reaches \$75 million, tax increment in excess of \$7 million annually will be split equally between the Agency and County.

During April 1988, the City of Moreno Valley and the Agency entered into an agreement with the Riverside County Flood Control and Water Conservation District (District) which specifies that the Agency shall receive 100% of the District share of the tax increment until such time the total tax increment exceeds \$12 million at which time the District shall receive at least 50% of its share.

The Agency must annually demonstrate, on a project-by-project basis, that the cumulative project costs paid by the Agency for the project improvements exceed the cumulative total of District share received by the Agency. To the extent that the cumulative project costs paid by the Agency exceed the cumulative total of District share received by the Agency, the Agency will receive the balance needed from the remaining 50% of the District share.

Beginning in 2004-2005 the Agency's tax increment exceeded \$12 million. The County deducts its proportionate share from the Agency's remittances. The amount retained by the County is included shown as a reduction in tax revenue, "pass through agreement payments" in the financial statements. An additional amount of \$4,846,739 for pass through agreements that have not yet been remitted is included in Due to Other Governments.

Community Facilities District No. 3 Agreement

In conjunction with the issuance of the Moreno Valley Auto Mall Special Tax Bonds Series 2000 (Auto Mall Refinancing), the Agency and the City are parties to an owner participation agreement which provides that the Agency will transmit to the District the available property tax increment it receives on parcels within the District as a credit against the special parcel taxes that otherwise would be payable by the owners. Furthermore, the City has agreed to loan the Agency available sales tax generated within the District for payment directly to the parcel owners should the increment be insufficient to offset the special parcel taxes. In addition, the Agency has agreed to pay to the parcel owners, subject to certain restrictions, certain available surplus sales tax from within the District. The obligations to remit sales tax terminate by December 1, 2010.

This agreement replaces a previous arrangement involving these parcels when they were included in Community Facilities District No. 2.

The amounts remitted during the year under the replacement and previous agreement to parcel owners totaled \$ 692,744.

Community Facilities District No. 87-1 Agreement

In connection with the issuance of the Community Facilities District No. 87-1 (CFD) Towngate 2007 Special Tax Refunding Bonds, the Agency entered into an owner participation agreement whereby the Agency has committed tax increment for the payment of debt service requirements for these Bonds.

**Community Redevelopment Agency of the City of Moreno Valley
Notes to Financial Statements (Continued)**

Note 9: Commitments and Contingencies (Continued)

Self-Insurance

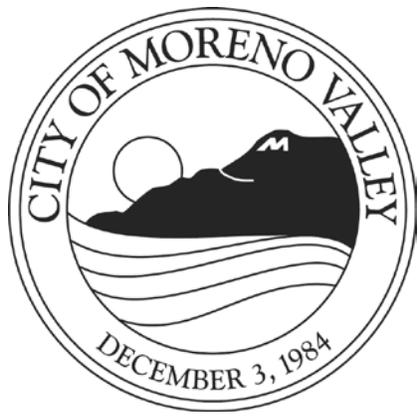
The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. The City of Moreno Valley established two self-insurance funds (internal service funds) to account for and finance its uninsured risks of loss. Under this program, the self-insurance funds provide coverage for up to a maximum of \$300,000 for each workers' compensation claim and \$250,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. All funds of the Agency participate in the program and make payments to the self-insurance funds based on actuarial estimates of the amounts needed to pay prior and current year claims.

SERAF Shift

In July of 2009, the California Legislature enacted ABX4-26 provides for a Supplemental Educational Revenue Augmentation Funds (SERAF). Redevelopment agencies are collectively mandated to place \$1.7 billion in the SERAF in fiscal year 2009-2010, and \$350 million in 2010-2011. The Agency's share of the SERAF for fiscal year 2009-2010 is \$5,258,237. The California Redevelopment Association is continuing to be actively engaged in litigation to invalidate ABX4-26.

Note 10: Subsequent Events

Subsequent events are those events and transactions that occur after the end of the fiscal period but prior to issuance of the financial statements that are important for readers of the financial statements to be aware of. The Agency does not have any subsequent events to report.



Community Redevelopment Agency
of the City of Moreno Valley
Governmental Funds
Combining Balance Sheet
June 30, 2010

Moreno Valley
Redevelopment Project

Capital Projects Funds

	Administration Fund	Capital Projects Fund	2007 TABS, Series A Capital Projects	Low and Moderate Housing
Assets:				
Pooled cash and investments	\$ 66,537	\$ 48,604	\$ 40,377,505	\$ 7,935,482
Receivables:				
Accounts	17	22,561	-	-
Notes and loans	-	-	-	17,567,422
Interest	-	-	-	231,023
Due from other governments	-	-	-	-
Due from the City of Moreno Valley	-	4,500	-	-
Land held for redevelopment	-	3,718,466	-	197,660
Advances to other funds	-	-	-	3,564,945
Advances to the City of Moreno Valley	-	-	-	-
Total Assets	\$ 66,554	\$ 3,794,131	\$ 40,377,505	\$ 29,496,532
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,781	\$ 75,664	\$ 108,789	\$ 5,377
Accrued liabilities	19,990	13,342	14,187	29,695
Due to other governments	-	-	-	-
Due to the City of Moreno Valley	-	-	1,927,292	-
Deferred revenue	-	-	-	231,023
Advances from other funds	-	-	-	-
Total Liabilities	\$ 21,771	\$ 89,006	\$ 2,050,268	\$ 266,095
Fund Balances:				
Reserved:				
Reserved for encumbrances	\$ -	\$ 29,228	\$ 1,204,854	\$ 4,004,250
Reserved for debt service	-	-	-	-
Reserved for long-term receivables	-	-	-	17,567,422
Reserved for land held for redevelopment	-	3,718,466	-	197,660
Reserved for advances to other funds	-	-	-	3,564,945
Reserved for advances to the City of Moreno Valley	-	-	-	-
Unreserved:				
Unreserved, reported in nonmajor:				
Designated:				
Designated for continuing appropriations	-	-	33,691,617	3,896,160
Undesignated	44,783	(42,569)	3,430,766	-
Total Fund Balances	\$ 44,783	\$ 3,705,125	\$ 38,327,237	\$ 29,230,437
Total Liabilities & Fund Balances	\$ 66,554	\$ 3,794,131	\$ 40,377,505	\$ 29,496,532

**Debt Service
Funds**

Tax Increment Fund	2007 TABS, Series A Debt Service	2007 TABS, Series B Debt Service	Totals
\$ 10,152,109	\$ -	\$ 22,500,000	\$ 81,080,237
-	-	-	22,578
-	-	-	17,567,422
-	-	-	231,023
73,572	-	-	73,572
-	-	-	4,500
-	-	-	3,916,126
-	-	-	3,564,945
220,500	-	-	220,500
\$ 10,446,181	\$ -	\$ 22,500,000	\$ 106,680,903
\$ -	\$ -	\$ -	\$ 191,611
-	-	-	77,214
4,846,739	-	-	4,846,739
4,713	-	-	1,932,005
12,000	-	-	243,023
3,564,945	-	-	3,564,945
\$ 8,428,397	\$ -	\$ -	\$ 10,855,537
\$ -	\$ -	\$ -	\$ 5,238,332
-	-	22,500,000	22,500,000
-	-	-	17,567,422
-	-	-	3,916,126
-	-	-	3,564,945
220,500	-	-	220,500
-	-	-	37,587,777
1,797,284	-	-	5,230,264
\$ 2,017,784	\$ -	\$ 22,500,000	\$ 95,825,366
\$ 10,446,181	\$ -	\$ 22,500,000	\$ 106,680,903

Assets:

Pooled cash and investments
Receivables:
Accounts
Notes and loans
Interest
Due from other governments
Due from the City of Moreno Valley
Land held for redevelopment
Advances to other funds
Advances to the City of Moreno Valley

Total Assets

Liabilities and Fund Balances:

Liabilities:

Accounts payable
Accrued liabilities
Due to other governments
Due to the City of Moreno Valley
Deferred revenue
Advances from other funds

Total Liabilities

Fund Balances:

Reserved:

Reserved for encumbrances
Reserved for debt service
Reserved for long-term receivables
Reserved for land held for redevelopment
Reserved for advances to other funds
Reserved for advances to the City of Moreno Valley

Unreserved:

Unreserved, reported in nonmajor:

Designated:

Designated for continuing appropriations

Undesignated

Total Fund Balances

Total Liabilities & Fund Balances

**Community Redevelopment Agency
of the City of Moreno Valley
Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year ended June 30, 2010**

Moreno Valley Redevelopment Project				
Capital Projects Funds				
	Administration Fund	Capital Projects Fund	2007 TABS, Series A Capital Projects	Low and Moderate Housing
Revenues:				
Taxes and assessments:				
Tax increment	-	-	-	3,782,660
Sales taxes	-	-	-	-
Use of money and property	-	1,959	1,525,566	443,877
Miscellaneous	-	-	5,206	3,930
Total Revenues	\$ -	\$ 1,959	\$ 1,530,772	\$ 4,230,467
Expenditures:				
Current:				
General government	\$ 704,381	\$ -	\$ -	\$ 897,418
Community development	-	1,020,896	1,507,188	3,250
Debt Service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
SERAF payment	-	-	-	-
Total Expenditures	\$ 704,381	\$ 1,020,896	\$ 1,507,188	\$ 900,668
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(704,381)	(1,018,937)	23,584	3,329,799
Other Financing Sources (Uses)				
Transfers in	\$ 704,381	\$ 1,314,308	\$ -	\$ -
Transfers out	-	-	-	-
Transfers from the City of Moreno Valley	-	-	-	7,000
Transfers to the City of Moreno Valley	-	-	-	-
Total Other Financing Sources (Uses)	704,381	1,314,308	-	7,000
Net Change in Fund Balances	-	295,371	23,584	3,336,799
Fund Balances, Beginning of Year	44,783	3,409,754	38,303,653	25,893,638
Fund Balances, End of Year	\$ 44,783	\$ 3,705,125	\$ 38,327,237	\$ 29,230,437

**Debt Service
Funds**

Tax Increment Fund	2007 TABS, Series A Debt Service	2007 Tabs, Series B Debt Service	Totals
16,628,548	-	-	20,411,208
924,570	-	-	924,570
1,078,546	3	-	3,049,951
-	-	-	9,136
\$ 18,631,664	\$ 3	\$ -	\$ 24,394,865
\$ 243,764	\$ -	\$ -	\$ 1,845,563
-	-	-	2,531,334
210,436	120,000	-	330,436
1,091,662	2,057,784	457,378	3,606,824
10,775,369	-	-	10,775,369
5,258,237	-	-	5,258,237
\$ 17,579,468	\$ 2,177,784	\$ 457,378	\$ 24,347,763
1,052,196	(2,177,781)	(457,378)	47,102
\$ -	\$ 2,177,781	\$ 457,378	\$ 4,653,848
(4,653,848)	-	-	(4,653,848)
4,237	-	-	11,237
(1,575,380)	-	-	(1,575,380)
(6,224,991)	2,177,781	457,378	(1,564,143)
(5,172,795)	-	-	(1,517,041)
7,190,579	-	22,500,000	97,342,407
\$ 2,017,784	\$ -	\$ 22,500,000	\$ 95,825,366

Revenues:

Taxes and assessments:
Tax increment
Sales taxes
Use of money and property
Miscellaneous

Total Revenues

Expenditures:

Current:
General government
Community development
Debt Service:
Principal retirement
Interest and fiscal charges
Pass-through agreement payments
SERAF payment

Total Expenditures

*Excess (Deficiency) of Revenues
Over (Under) Expenditures*

Other Financing Sources (Uses)

Transfers in
Transfers out
Transfers from the City of Moreno Valley
Transfers to the City of Moreno Valley

Total Other Financing Sources (Uses)

Net Change in Fund Balances

Fund Balances, Beginning of Year

Fund Balances, End of Year



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Board of Directors
Community Redevelopment Agency of the City of Moreno Valley
Moreno Valley, California

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

We have audited the governmental activities, each major fund, of the Community Redevelopment Agency of the City of Moreno Valley (the Agency), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design 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 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.

Board of Directors
Community Redevelopment Agency of the City of Moreno Valley
Page Two

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

We noted certain other matters we reported to the management of the City of Moreno Valley in a separate letter.

This report is intended solely for the information of the Board of Directors, management of the Community Redevelopment Agency of the City of Moreno Valley, State Controller, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCunn P.C.

Irvine, California
December 21, 2010