

CITY OF MORENO VALLEY, CALIFORNIA

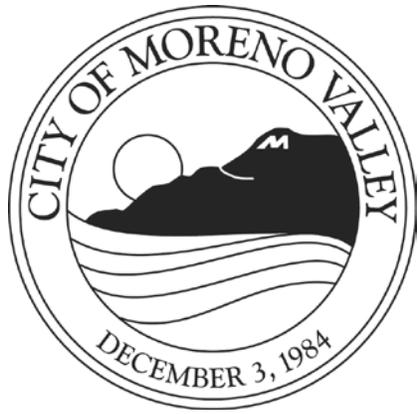
COMMUNITY
SERVICES DISTRICT



FINANCIAL STATEMENTS

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





City of Moreno Valley, California
Community Services District

Financial Statements

Year Ended June 30, 2010

TABLE OF CONTENTS

| | <u>Page Number</u> |
|---|------------------------|
| FINANCIAL SECTION | |
| Independent Auditors' Report | 1 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 3 |
| Statement of Activities | 5 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 6 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 9 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 10 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 12 |
| Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: | |
| 1. Zone A Parks and Community Services | 13 |
| 2. Zone B Residential Street Lights Administration | 14 |
| 3. Zone E Extensive Landscaping Administration | 15 |
| 4. Zone L Library Service Fund | 16 |
| Notes to Financial Statements | 17 |
| SUPPLEMENTARY INFORMATION | |
| Combining Balance Sheet – Non-major Governmental Funds | 24 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds | 26 |

City of Moreno Valley, California
Community Services District

Financial Statements (Continued)

Year Ended June 30, 2010

TABLE OF CONTENTS (Continued)

| | <u>Page Number</u> |
|--|------------------------|
| SUPPLEMENTARY INFORMATION (Continued) | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: | |
| A. Zone C Arterial Street Lights Administration | 28 |
| B. Zone D Standard Landscaping Administration | 29 |
| C. Zone M Median Fund | 30 |
| D. CFD #1 Fund | 31 |
| E. Zone S Sunnymead Boulevard Maintenance | 32 |
| Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 33 |



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
City of Moreno Valley, California
Community Services District

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Moreno Valley, California, Community Services District ("District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison information for the major special revenue funds of the District for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The District 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 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 Services District 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
City of Moreno Valley, California
Community Services District
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2010 on our consideration of the District'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.

Mayor Hoffman McLean P.C.

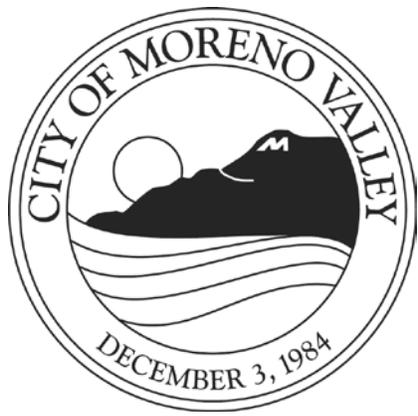
Irvine, California
December 21, 2010

**City of Moreno Valley, California
Community Services District**

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

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Pooled cash and investments (note 2) | \$ 11,266,011 |
| Receivables: | |
| Accounts | 235,130 |
| Due from the City of Moreno Valley | 197,320 |
| Due from other governments | 1,027,691 |
| Capital assets not being depreciated (note 3) | 450,000 |
| Depreciable capital assets, net of accumulated depreciation (note 3) | 22,329,068 |
| | <hr/> |
| Total Assets | 35,505,220 |
| | <hr/> |
| Liabilities and Fund Balances: | |
| Liabilities: | |
| Accounts payable | 646,166 |
| Accrued liabilities | 343,609 |
| Due to the City of Moreno Valley | 3,371,652 |
| Due to other governments | 5 |
| Deposits payable | 97,339 |
| | <hr/> |
| Total Liabilities | 4,458,771 |
| | <hr/> |
| Net Assets: | |
| Invested in capital assets | 22,779,068 |
| Restricted for special zones | 8,267,381 |
| | <hr/> |
| Total Net Assets | \$ 31,046,449 |
| | <hr/> |

See Notes to Financial Statements



**City of Moreno Valley, California
Community Services District**

**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: | | | | | |
| Community and cultural | \$ 18,618,629 | \$ 11,237,461 | \$ 14,495 | \$ - | \$ (7,366,673) |
| Total Governmental Activities | \$ 18,618,629 | \$ 11,237,461 | \$ 14,495 | \$ - | (7,366,673) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | 3,154,342 |
| Other taxes | | | | | 1,024,603 |
| Use of money and property | | | | | 683,098 |
| Miscellaneous | | | | | 53,044 |
| Transfers from the City of Moreno Valley | | | | | 57,059 |
| Total General Revenues and Transfers | | | | | 4,972,146 |
| Change in Net Assets | | | | | (2,394,527) |
| Net Assets, beginning of year as restated (note 6) | | | | | 33,440,976 |
| Net Assets, End of Year | | | | | \$ 31,046,449 |

See Notes to Financial Statements

**City of Moreno Valley, California
Community Services District**

**Governmental Funds
Balance Sheet
June 30, 2010**

| | Special Revenue Funds | | |
|--|--|--|--|
| | Zone A Parks and Community Services | Zone B Residential Street Lights Administration | Zone E Extensive Landscaping Administration |
| Assets: | | | |
| Pooled cash and investments (note 2) | \$ 4,432,732 | \$ 34,616 | \$ 4,156,486 |
| Receivables: | | | |
| Accounts | 224,612 | - | 5,654 |
| Due from the City of Moreno Valley | 197,320 | - | - |
| Due from other governments | 513,087 | 68,662 | 149,642 |
| Total Assets | \$ 5,367,751 | \$ 103,278 | \$ 4,311,782 |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 196,363 | \$ 97,264 | \$ 149,123 |
| Accrued liabilities | 203,532 | 6,014 | 28,393 |
| Due to the City of Moreno Valley | 3,281,361 | 90,291 | - |
| Due to other governments | 5 | - | - |
| Deferred revenue | 480,589 | 43,395 | 87,748 |
| Deposits payable | 97,339 | - | - |
| Total Liabilities | \$ 4,259,189 | \$ 236,964 | \$ 265,264 |
| Fund Balances: | | | |
| Reserved: | | | |
| Reserved for encumbrances | \$ - | \$ - | \$ - |
| Unreserved: | | | |
| Unreserved, reported in nonmajor: | | | |
| Designated: | | | |
| Designated for continuing appropriations | 63,450 | - | - |
| Designated for capital improvements | - | - | 2,799,332 |
| Designated for contingencies | 938,157 | - | - |
| Designated for scholarship programs | 7,684 | - | - |
| Undesignated | 99,271 | (133,686) | 1,247,186 |
| Total Fund Balances | \$ 1,108,562 | \$ (133,686) | \$ 4,046,518 |
| Total Liabilities & Fund Balances | \$ 5,367,751 | \$ 103,278 | \$ 4,311,782 |

See Notes to Financial Statements

Special Revenue Funds

| Zone L Library Services Fund | Nonmajor Governmental Funds | Totals |
|---|--|----------------------|
| \$ 239,547 | \$ 2,402,630 | \$ 11,266,011 |
| 1,384 | 3,480 | 235,130 |
| - | - | 197,320 |
| 143,696 | 152,604 | 1,027,691 |
| \$ 384,627 | \$ 2,558,714 | \$ 12,726,152 |
| \$ 78,167 | \$ 125,249 | \$ 646,166 |
| 62,946 | 42,724 | 343,609 |
| - | - | 3,371,652 |
| - | - | 5 |
| 89,503 | 82,569 | 783,804 |
| - | - | 97,339 |
| \$ 230,616 | \$ 250,542 | \$ 5,242,575 |
| \$ 31,977 | \$ - | \$ 31,977 |
| - | 105,000 | 168,450 |
| - | - | 2,799,332 |
| - | - | 938,157 |
| - | - | 7,684 |
| 122,034 | 2,203,172 | 3,537,977 |
| \$ 154,011 | \$ 2,308,172 | \$ 7,483,577 |
| \$ 384,627 | \$ 2,558,714 | \$ 12,726,152 |

Assets:

Pooled cash and investments (note 2)
 Receivables:
 Accounts
 Due from the City of Moreno Valley
 Due from other governments

Total Assets

Liabilities and Fund Balances:

Liabilities:

Accounts payable
 Accrued liabilities
 Due to the City of Moreno Valley
 Due to other governments
 Deferred revenue
 Deposits payable

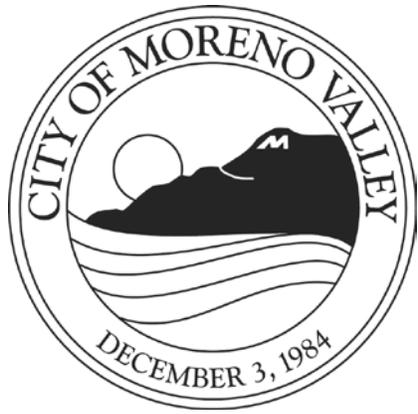
Total Liabilities

Fund Balances:

Reserved:
 Reserved for encumbrances
 Unreserved:
 Unreserved, reported in nonmajor:
 Designated:
 Designated for continuing appropriations
 Designated for capital improvements
 Designated for contingencies
 Designated for scholarship programs
 Undesignated

Total Fund Balances

Total Liabilities & Fund Balances



**City of Moreno Valley, California
Community Services District**

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

| | |
|-------------------------------------|--------------|
| Fund balances of governmental funds | \$ 7,483,577 |
|-------------------------------------|--------------|

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. | 22,779,068 |
|---|------------|

| | |
|---|---------|
| 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. | 783,804 |
|---|---------|

| | |
|--|-----------------------------|
| Net assets of governmental activities | <u><u>\$ 31,046,449</u></u> |
|--|-----------------------------|

See Notes to Financial Statements

City of Moreno Valley, California
Community Services District

Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
Year ended June 30, 2010

| | Special Revenue Funds | | |
|--|---|--|---|
| | Zone A Parks and Community Services | Zone B Residential Street Lights Administration | Zone E Extensive Landscaping Administration |
| Revenues: | | | |
| Taxes: | | | |
| Property taxes | \$ 1,648,165 | \$ 95,101 | \$ - |
| Other Taxes | - | - | - |
| Intergovernmental | - | - | - |
| Charges for services | 5,749,207 | 892,533 | 2,334,819 |
| Use of money and property | 484,486 | 3,639 | 121,700 |
| Fines and forfeitures | - | - | - |
| Miscellaneous | 25,256 | - | 3,934 |
| Total Revenues | \$ 7,907,114 | \$ 991,273 | \$ 2,460,453 |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | \$ 7,855,401 | \$ 1,505,057 | \$ 2,386,693 |
| Capital outlay | 26,105 | - | - |
| Total Expenditures | \$ 7,881,506 | \$ 1,505,057 | \$ 2,386,693 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | 25,608 | (513,784) | 73,760 |
| Other Financing Sources (Uses) | | | |
| Transfers in (note 4) | \$ - | \$ - | \$ - |
| Transfers out (note 4) | - | - | (26,091) |
| Transfers from the City of Moreno Valley | 394,873 | - | - |
| Transfers to the City of Moreno Valley | (817,414) | - | (48,715) |
| Total Other Financing Sources (Uses) | \$ (422,541) | \$ - | \$ (74,806) |
| <i>Net Change in Fund Balances</i> | (396,933) | (513,784) | (1,046) |
| Fund Balances, Beginning of Year as restated (note 6) | 1,505,495 | 380,098 | 4,047,564 |
| Fund Balances, End of Year | \$ 1,108,562 | \$ (133,686) | \$ 4,046,518 |

See Notes to Financial Statements

Special Revenue Funds

| Zone L Library Services Fund | Nonmajor Governmental Funds | Totals |
|---|--|----------------------|
| \$ 1,311,558 | \$ 99,518 | \$ 3,154,342 |
| - | 1,024,603 | 1,024,603 |
| 14,495 | - | 14,495 |
| 41,582 | 1,619,326 | 10,637,467 |
| - | 73,273 | 683,098 |
| 45,989 | - | 45,989 |
| 23,716 | 138 | 53,044 |
| \$ 1,437,340 | \$ 2,816,858 | \$ 15,613,038 |
| | | |
| \$ 2,093,052 | \$ 2,824,741 | \$ 16,664,944 |
| - | - | 26,105 |
| \$ 2,093,052 | \$ 2,824,741 | \$ 16,691,049 |
| | | |
| (655,712) | (7,883) | (1,078,011) |
| | | |
| \$ - | \$ 26,091 | \$ 26,091 |
| - | - | (26,091) |
| 424,915 | 103,400 | 923,188 |
| - | - | (866,129) |
| \$ 424,915 | \$ 129,491 | \$ 57,059 |
| | | |
| (230,797) | 121,608 | (1,020,952) |
| | | |
| 384,808 | 2,186,564 | 8,504,529 |
| \$ 154,011 | \$ 2,308,172 | \$ 7,483,577 |

Revenues:

| |
|---------------------------|
| Taxes: |
| Property taxes |
| Other Taxes |
| Intergovernmental |
| Charges for services |
| Use of money and property |
| Fines and forfeitures |
| Miscellaneous |

Total Revenues

Expenditures:

| |
|------------------------|
| Current: |
| Community and cultural |
| Capital outlay |

Total Expenditures

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

Other Financing Sources (Uses)

| |
|--|
| Transfers in (note 4) |
| Transfers out (note 4) |
| 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 as restated (note 6)

Fund Balances, End of Year

**City of Moreno Valley, California
Community Services District**

**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 \$ (1,020,952)

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.

| | |
|----------------------|-------------|
| Capital outlay | 26,105 |
| Depreciation expense | (1,953,685) |

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.

554,005

Net assets of governmental activities

\$ (2,394,527)

See Notes to Financial Statements

**City of Moreno Valley, California
Community Services District
Zone A Parks and Community Services
Budgetary Comparison Statement
Year Ended June 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes | 2,209,563 | 2,209,563 | 1,648,165 | (561,398) |
| Charges for services | 5,952,339 | 5,952,339 | 5,749,207 | (203,132) |
| Use of money and property | 465,234 | 465,234 | 484,486 | 19,252 |
| Miscellaneous | 26,450 | 33,516 | 25,256 | (8,260) |
| Total Revenues | \$ 8,653,586 | \$ 8,660,652 | \$ 7,907,114 | \$ (753,538) |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 8,451,892 | 7,980,325 | 7,855,401 | 124,924 |
| Capital outlay | 126,671 | 126,671 | 26,105 | 100,566 |
| Total Expenditures | \$ 8,578,563 | \$ 8,106,996 | \$ 7,881,506 | \$ 225,490 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | 75,023 | 553,656 | 25,608 | (528,048) |
| Other Financing Sources (Uses): | | | | |
| Transfers from the City of Moreno Valley | (377,459) | (377,459) | (394,873) | 17,414 |
| Transfers to the City of Moreno Valley | - | 800,000 | 817,414 | (17,414) |
| Total Other Financing Sources (Uses) | \$ 377,459 | \$ (422,541) | \$ (422,541) | \$ - |
| <i>Net Change in Fund Balances</i> | 452,482 | 131,115 | (396,933) | (528,048) |
| Fund Balances, Beginning of Year | 1,505,495 | 1,505,495 | 1,505,495 | - |
| Fund Balances, End of Year | \$ 1,957,977 | \$ 1,636,610 | \$ 1,108,562 | \$ (528,048) |

See Notes to Financial Statements

**City of Moreno Valley, California
Community Services District**

**Zone B Residential Street Lights Administration
Budgetary Comparison Statement
Year Ended June 30, 2010**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-----------------------------------|-----------------------------------|-----------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes | 116,045 | 116,045 | 95,101 | (20,944) |
| Charges for services | 934,006 | 934,006 | 892,533 | (41,473) |
| Use of money and property | 7,396 | 7,396 | 3,639 | (3,757) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Revenues | \$ 1,057,447 | \$ 1,057,447 | \$ 991,273 | \$ (66,174) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 1,605,139 | 1,647,740 | 1,505,057 | 142,683 |
| Capital outlay | - | 51,612 | - | 51,612 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Expenditures | \$ 1,605,139 | \$ 1,699,352 | \$ 1,505,057 | \$ 194,295 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | <u>(547,692)</u> | <u>(641,905)</u> | <u>(513,784)</u> | <u>128,121</u> |
| <i>Net Change in Fund Balances</i> | (547,692) | (641,905) | (513,784) | 128,121 |
| Fund Balances, Beginning of Year | <u>380,098</u> | <u>380,098</u> | <u>380,098</u> | <u>-</u> |
| Fund Balances, End of Year | <u><u>\$ (167,594)</u></u> | <u><u>\$ (261,807)</u></u> | <u><u>\$ (133,686)</u></u> | <u><u>\$ 128,121</u></u> |

See Notes to Financial Statements

**City of Moreno Valley, California
Community Services District
Zone E Extensive Landscaping Administration
Budgetary Comparison Statement
Year Ended June 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | 2,411,465 | 2,411,465 | 2,334,819 | (76,646) |
| Use of money and property | 93,318 | 93,318 | 121,700 | 28,382 |
| Miscellaneous | 2,400 | 2,400 | 3,934 | 1,534 |
| Total Revenues | \$ 2,507,183 | \$ 2,507,183 | \$ 2,460,453 | \$ (46,730) |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 2,918,314 | 2,536,159 | 2,386,693 | 149,466 |
| Capital outlay | 45,000 | 313,137 | - | 313,137 |
| Total Expenditures | \$ 2,963,314 | \$ 2,849,296 | \$ 2,386,693 | \$ 462,603 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | (456,131) | (342,113) | 73,760 | 415,873 |
| Other Financing Sources (Uses): | | | | |
| Transfers out (note 4) | - | (25,000) | (26,091) | (1,091) |
| Transfers to the City of Moreno Valley | 25,000 | - | 48,715 | (48,715) |
| Total Other Financing Sources (Uses) | \$ (25,000) | \$ (25,000) | \$ (74,806) | \$ (49,806) |
| <i>Net Change in Fund Balances</i> | (481,131) | (367,113) | (1,046) | 366,067 |
| Fund Balances, Beginning of Year | 4,047,564 | 4,047,564 | 4,047,564 | - |
| Fund Balances, End of Year | \$ 3,566,433 | \$ 3,680,451 | \$ 4,046,518 | \$ 366,067 |

See Notes to Financial Statements

**City of Moreno Valley, California
Community Services District**

**Zone L Library Services
Budgetary Comparison Statement
Year Ended June 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes | 1,609,500 | 1,609,500 | 1,311,558 | (297,942) |
| Intergovernmental | 32,000 | 32,000 | 14,495 | (17,505) |
| Charges for services | 33,000 | 33,000 | 41,582 | 8,582 |
| Fines and forfeitures | 56,500 | 56,500 | 45,989 | (10,511) |
| Miscellaneous | 2,000 | 2,000 | 23,716 | 21,716 |
| Total Revenues | \$ 1,733,000 | \$ 1,733,000 | \$ 1,437,340 | \$ (295,660) |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 2,122,219 | 2,126,122 | 2,093,052 | 33,070 |
| Total Expenditures | \$ 2,122,219 | \$ 2,126,122 | \$ 2,093,052 | \$ 33,070 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | <u>(389,219)</u> | <u>(393,122)</u> | <u>(655,712)</u> | <u>(262,590)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from the City of Moreno Valley | (424,915) | (424,915) | (424,915) | - |
| Total Other Financing Sources (Uses) | \$ 424,915 | \$ 424,915 | \$ 424,915 | \$ - |
| <i>Net Change in Fund Balances</i> | 35,696 | 31,793 | (230,797) | (262,590) |
| Fund Balances, Beginning of Year | <u>384,808</u> | <u>384,808</u> | <u>384,808</u> | <u>-</u> |
| Fund Balances, End of Year | \$ 420,504 | \$ 416,601 | \$ 154,011 | \$ (262,590) |

See Notes to Financial Statements

**City of Moreno Valley, California
Community Services District**

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

Note 1: Reporting Entity, Description of Funds and Significant Accounting Policies

a. Reporting Entity

The City of Moreno Valley, California Community Services District (the District), was created by a City Council ordinance adopted on December 3, 1984. Its purpose is to act as a legal entity, separate and distinct from the City of Moreno Valley (the City), even though the City Council is currently serving as the District's Governing Board. The District is broadly empowered to engage in the general maintenance and administration of the City's community programs.

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 District, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the District. Accordingly, in applying the criteria of Governmental Accounting Standards, the financial statements of the District are included in the City's Comprehensive Annual Financial Report. The District has the same fiscal year end as the City and its financial statements can be obtained from the City Clerk.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the component unit. For the most part, the effect of interfund activity has been removed from these statements.

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 have been levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**City of Moreno Valley, California
Community Services District
Notes to Financial Statements (Continued)**

Note 1: Reporting Entity, Description of Funds and Significant Accounting Policies (Continued)

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

Government 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 operating 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 150 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures 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.

The District reports the following major governmental funds:

Zone A Parks and Community Services accounts for the administration and maintenance of the parks and community services facilities and programs.

Zone B Residential Street Lights Administration accounts for the operations necessary to process and administer the residential street lighting program.

Zone E Extensive Landscaping Administration accounts for the operations necessary to provide high-service level landscape maintenance in and around specific major residential developments.

Zone L Library Service Fund accounts for the operations necessary to process and administer the library service program.

d. Budgetary Reporting

Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the governmental activities. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles (GAAP). From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various District departments.

Reported budget amounts represent the original legally adopted budget as amended. The City Council may amend the budget only by a duly adopted minute resolution during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation 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 type, 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

**City of Moreno Valley, California
Community Services District
Notes to Financial Statements (Continued)**

Note 1: Reporting Entity, Description of Funds and Significant Accounting Policies (Continued)

d. Budgetary Reporting (Continued)

within the departments. Management can transfer budgeted amounts between line items within each department provided that they do not increase or decrease total department appropriations. Expenditures may not legally exceed budgeted appropriations at the department and fund levels.

e. Use of Restricted/Unrestricted Net Assets

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

f. Deferred Revenue

In the government-wide financial statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as deferred revenues in the government-wide financial statements are prepaid charges for services.

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The District records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, long-term loans receivables, and prepaid charges for services.

g. Fund Balance

Reservations of fund balance indicate those portions of fund balance unavailable for appropriation or amounts legally segregated for a specific future use. Designations of fund balance indicate tentative management plans for future uses of financial resources.

h. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. Currently, the District does not have any debt attributed to capital assets.

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

i. 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 Fund type. Unexpended and unencumbered appropriations of the Governmental Fund 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.

**City of Moreno Valley, California
Community Services District
Notes to Financial Statements (Continued)**

Note 1: Reporting Entity, Description of Funds and Significant Accounting Policies (Continued)

j. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 |

k. Investments

The District records all investments at fair value. The current year’s changes in fair value are recognized in the statement of revenues, expenditures and changes in fund balances as use of money and property. *Use of money and property* includes interest earnings, changes in fair value, rental income and any gains or losses.

l. Salary Expenditures

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

m. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Secured property taxes are levied on August 10 and are payable in two installments on November 1 and February 1. Unsecured personal property taxes are due in a single installment on July 1. The County of Riverside bills and collects the property taxes and remits them to the District in installments during the year. Property taxes received within 60 days after the District’s fiscal year-end are considered “measurable” and “available” and are accrued in the District’s financial statements.

n. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that

**City of Moreno Valley, California
Community Services District
Notes to Financial Statements (Continued)**

Note 1: Reporting Entity, Description of Funds and Significant Accounting Policies (Continued)

n. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

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

o. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenditures during the reporting period. Actual results could differ from estimates.

Note 2: Cash and Investments

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

Cash and investments pooled with the City \$11,266,011

The District has no separate bank accounts or investments other than the District’s equity in the cash and investment pool managed by the City. The District is a voluntary participant in the City’s investment pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. The District has not adopted an investment policy separate from that of the City. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

Note 3: Capital Asset

| | Balances 6/30/2009* | Additions | Deletions | Balances 6/30/2010 |
|------------------------------|------------------------|----------------|------------------|-----------------------|
| Non-depreciable Assets: | | | | |
| Land | \$ 450,000 | \$ - | \$ - | \$ 450,000 |
| Construction in progress | 101,457 | - | (101,457) | - |
| Total Non-depreciable Assets | <u>551,457</u> | <u>-</u> | <u>(101,457)</u> | <u>450,000</u> |
| Depreciable Assets: | | | | |
| Buildings and Improvements | 49,973,475 | - | - | 49,973,475 |
| Furniture and Equipment | 1,250,323 | - | - | 1,250,323 |
| Vehicles | 503,398 | 26,105 | - | 529,503 |
| Infrastructure | - | 101,457 | - | 101,457 |
| Total Depreciable Assets | <u>51,727,196</u> | <u>127,562</u> | <u>-</u> | <u>51,854,758</u> |

**City of Moreno Valley, California
Community Services District
Notes to Financial Statements (Continued)**

Note 3: Capital Assets (Continued)

| | Balances 6/30/2009* | Additions | Deletions | Balances 6/30/2010 |
|---|------------------------|-----------------------|---------------------|-----------------------|
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | (26,204,985) | (1,808,353) | - | (28,013,338) |
| Furniture and Equipment | (1,007,143) | (74,946) | - | (1,082,089) |
| Vehicles | (359,877) | (68,608) | - | (428,485) |
| Infrastructure | - | (1,778) | - | (1,778) |
| Total Accumulated Depreciation | <u>(27,572,005)</u> | <u>(1,953,685)</u> | <u>-</u> | <u>(29,525,690)</u> |
| Total Depreciable Assets, Net of Depreciation | <u>24,155,191</u> | <u>(1,826,123)</u> | <u>-</u> | <u>22,329,068</u> |
| Total Capital Assets, Net of Depreciation | <u>\$ 24,706,648</u> | <u>\$ (1,826,123)</u> | <u>\$ (101,457)</u> | <u>\$ 22,779,068</u> |

* Beginning Capital Assets were restated. See explanation in Note 6.

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

Governmental Activities:
 Community and cultural \$ 1,953,685

Note 4: Interfund Transfers

Transfers in and out for the year ended June 30, 2010 were as follows:

| <u>Funds</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|--|---------------------|----------------------|
| Major Governmental Funds: | | |
| Zone E Extensive Landscaping Administration Fund | | \$26,091 |
| Nonmajor Funds: | | |
| CFD# 1 Fund | \$26,091 | |

CSD Zone E Extensive Landscaping Administration Fund transferred \$26,091 to the CFD #1 Fund for that fund's share of parcel fees collected and business unit charges.

Note 5: Commitments and Contingencies

The District 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 worker's 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 District 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.

Note 6: Restatement of Beginning Net Assets

- (a) The CFD #4M Fund was improperly included in the Community Services District's financial statements previously. This fund is a City of Moreno Valley fund and not a fund of the District. Adjustments were made to remove the fund from the District's net assets and fund balances.

**City of Moreno Valley, California
Community Services District
Notes to Financial Statements (Continued)**

Note 6: Restatement of Beginning Net Assets (Continued)

(b) The District's construction in progress was overstated by \$44,768. An adjustment was made to correct beginning capital assets and the government-wide beginning net assets.

| | <u>Government-wide Financial Statements</u> | <u>Fund Financial Statements</u> |
|--|---|--------------------------------------|
| | <u>Governmental Funds</u> | <u>CFD #4M Fund</u> |
| Net assets at beginning of year, as previously reported | \$ 33,546,526 | \$ 60,782 |
| Adjustment (a) | (60,782) | (60,782) |
| Adjustment (b) | <u>(44,768)</u> | <u>-</u> |
| Net assets at beginning of year, as restated | <u>\$ 33,440,976</u> | <u>\$ -</u> |

Note 7: 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 District does not have any subsequent events to report.

City of Moreno Valley, California
Community Services District

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

| | Special Revenue Funds | | |
|--|--|--|-----------------------|
| | Zone C Arterial Street Lights Administration | Zone D Standard Landscaping Administration | Zone M Median Fund |
| Assets: | | | |
| Pooled cash and investments | \$ 487,480 | \$ 359,365 | \$ 248,696 |
| Receivables: | | | |
| Accounts | 4 | 3,476 | - |
| Due from other governments | 40,422 | 63,469 | 13,557 |
| Total Assets | \$ 527,906 | \$ 426,310 | \$ 262,253 |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 42,552 | \$ 37,653 | \$ 9,407 |
| Accrued liabilities | 1,958 | 18,223 | 4,318 |
| Deferred revenue | 27,169 | 40,791 | 10,794 |
| Total Liabilities | \$ 71,679 | \$ 96,667 | \$ 24,519 |
| Fund Balances: | | | |
| Unreserved: | | | |
| Unreserved, reported in nonmajor: | | | |
| Designated: | | | |
| Designated for continuing appropriations | - | - | - |
| Undesignated | 456,227 | 329,643 | 237,734 |
| Total Fund Balances | \$ 456,227 | \$ 329,643 | \$ 237,734 |
| Total Liabilities & Fund Balances | \$ 527,906 | \$ 426,310 | \$ 262,253 |

| Special Revenue Funds | | |
|------------------------------|---|---------------------------------|
| CFD #1 Fund | Zone S Sunnymead Boulevard Maintenance | Total Nonmajor Funds |
| \$ 1,222,301 | \$ 84,788 | \$ 2,402,630 |
| - | - | 3,480 |
| 30,558 | 4,598 | 152,604 |
| \$ 1,252,859 | \$ 89,386 | \$ 2,558,714 |
| | | |
| \$ 34,303 | \$ 1,334 | \$ 125,249 |
| 17,590 | 635 | 42,724 |
| - | 3,815 | 82,569 |
| \$ 51,893 | \$ 5,784 | \$ 250,542 |
| | | |
| 105,000 | - | 105,000 |
| 1,095,966 | 83,602 | 2,203,172 |
| \$ 1,200,966 | \$ 83,602 | \$ 2,308,172 |
| \$ 1,252,859 | \$ 89,386 | \$ 2,558,714 |

Assets:

Pooled cash and investments
Receivables:
Accounts
Due from other governments

Total Assets

Liabilities and Fund Balances:

Liabilities:

Accounts payable
Accrued liabilities
Deferred revenue

Total Liabilities

Fund Balances:

Unreserved:
Unreserved, reported in nonmajor:
Designated:
Designated for continuing appropriations
Undesignated

Total Fund Balances

Total Liabilities & Fund Balances

City of Moreno Valley, California
Community Services District

Nonmajor Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
Year ended June 30, 2010

| | Special Revenue Funds | | |
|--|--|--|-----------------------|
| | Zone C Arterial Street Lights Administration | Zone D Standard Landscaping Administration | Zone M Median Fund |
| Revenues: | | | |
| Taxes: | | | |
| Property taxes | \$ 99,518 | \$ - | \$ - |
| Other Taxes | - | - | - |
| Charges for services | 393,476 | 1,043,329 | 133,995 |
| Use of money and property | 16,858 | 27,276 | - |
| Miscellaneous | - | 138 | - |
| Total Revenues | \$ 509,852 | \$ 1,070,743 | \$ 133,995 |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | \$ 715,749 | \$ 1,068,948 | \$ 206,809 |
| Total Expenditures | \$ 715,749 | \$ 1,068,948 | \$ 206,809 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | <u>(205,897)</u> | <u>1,795</u> | <u>(72,814)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in (note 4) | \$ - | \$ - | \$ - |
| Transfers from the City of Moreno Valley | - | - | 103,400 |
| Total Other Financing Sources (Uses) | \$ - | \$ - | \$ 103,400 |
| <i>Net Change in Fund Balances</i> | <u>(205,897)</u> | <u>1,795</u> | <u>30,586</u> |
| Fund Balances, Beginning of Year, as restated | <u>662,124</u> | <u>327,848</u> | <u>207,148</u> |
| Fund Balances, End of Year | \$ 456,227 | \$ 329,643 | \$ 237,734 |

| Special Revenue Funds | | |
|------------------------------|---|---------------------------------|
| CFD #1 Fund | Zone S Sunnymead Boulevard Maintenance | Total Nonmajor Funds |
| \$ - | \$ - | \$ 99,518 |
| 1,024,603 | - | 1,024,603 |
| - | 48,526 | 1,619,326 |
| 26,952 | 2,187 | 73,273 |
| - | - | 138 |
| \$ 1,051,555 | \$ 50,713 | \$ 2,816,858 |
| | | |
| \$ 792,047 | \$ 41,188 | \$ 2,824,741 |
| \$ 792,047 | \$ 41,188 | \$ 2,824,741 |
| | | |
| 259,508 | 9,525 | (7,883) |
| | | |
| \$ 26,091 | \$ - | \$ 26,091 |
| - | - | 103,400 |
| \$ 26,091 | \$ - | \$ 129,491 |
| | | |
| 285,599 | 9,525 | 121,608 |
| | | |
| 915,367 | 74,077 | 2,186,564 |
| \$ 1,200,966 | \$ 83,602 | \$ 2,308,172 |

Revenues:

Taxes:
Property taxes
Other Taxes
Charges for services
Use of money and property
Miscellaneous

Total Revenues

Expenditures:

Current:
Community and cultural

Total Expenditures

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

Other Financing Sources (Uses)

Transfers in (note 4)
Transfers from the City of Moreno Valley

Total Other Financing Sources (Uses)

Net Change in Fund Balances

Fund Balances, Beginning of Year, as restated

Fund Balances, End of Year

City of Moreno Valley, California
Community Services District
Zone C Arterial Street Lights Administration
Budgetary Comparison Statement
Year Ended June 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|------------------------------|------------------------------|------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes | 142,100 | 142,100 | 99,518 | (42,582) |
| Charges for services | 430,844 | 430,844 | 393,476 | (37,368) |
| Use of money and property | 12,033 | 12,033 | 16,858 | 4,825 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Revenues | <u>\$ 584,977</u> | <u>\$ 584,977</u> | <u>\$ 509,852</u> | <u>\$ (75,125)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 738,009 | 735,754 | 715,749 | 20,005 |
| Total Expenditures | <u>\$ 738,009</u> | <u>\$ 735,754</u> | <u>\$ 715,749</u> | <u>\$ 20,005</u> |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | <u>(153,032)</u> | <u>(150,777)</u> | <u>(205,897)</u> | <u>(55,120)</u> |
| <i>Net Change in Fund Balances</i> | <u>(153,032)</u> | <u>(150,777)</u> | <u>(205,897)</u> | <u>(55,120)</u> |
| Fund Balances, Beginning of Year | <u>662,124</u> | <u>662,124</u> | <u>662,124</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 509,092</u> | <u>\$ 511,347</u> | <u>\$ 456,227</u> | <u>\$ (55,120)</u> |

City of Moreno Valley, California
Community Services District

**Zone D Standard Landscaping Administration
Budgetary Comparison Statement
Year Ended June 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Charges for services | 1,133,944 | 1,133,944 | 1,043,329 | (90,615) |
| Use of money and property | 6,655 | 6,655 | 27,276 | 20,621 |
| Miscellaneous | - | - | 138 | 138 |
| Total Revenues | \$ 1,140,599 | \$ 1,140,599 | \$ 1,070,743 | \$ (69,856) |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 1,341,067 | 1,222,314 | 1,068,948 | 153,366 |
| Total Expenditures | \$ 1,341,067 | \$ 1,222,314 | \$ 1,068,948 | \$ 153,366 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | (200,468) | (81,715) | 1,795 | 83,510 |
| <i>Net Change in Fund Balances</i> | (200,468) | (81,715) | 1,795 | 83,510 |
| Fund Balances, Beginning of Year | 327,848 | 327,848 | 327,848 | - |
| Fund Balances, End of Year | \$ 127,380 | \$ 246,133 | \$ 329,643 | \$ 83,510 |

**City of Moreno Valley, California
Community Services District**

**Zone M Median Fund
Budgetary Comparison Statement
Year Ended June 30, 2010**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | 163,554 | 163,554 | 133,995 | (29,559) |
| Use of money and property | 4,013 | 4,013 | - | (4,013) |
| Total Revenues | \$ 167,567 | \$ 167,567 | \$ 133,995 | \$ (33,572) |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 304,251 | 253,568 | 206,809 | 46,759 |
| Total Expenditures | \$ 304,251 | \$ 253,568 | \$ 206,809 | \$ 46,759 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | (136,684) | (86,001) | (72,814) | 13,187 |
| Other Financing Sources (Uses): | | | | |
| Transfers from the City of Moreno Valley | (103,400) | (103,400) | (103,400) | - |
| Total Other Financing Sources (Uses) | \$ 103,400 | \$ 103,400 | \$ 103,400 | \$ - |
| <i>Net Change in Fund Balances</i> | (33,284) | 17,399 | 30,586 | 13,187 |
| Fund Balances, Beginning of Year | 207,148 | 207,148 | 207,148 | - |
| Fund Balances, End of Year | \$ 173,864 | \$ 224,547 | \$ 237,734 | \$ 13,187 |

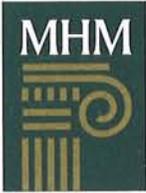
City of Moreno Valley, California
Community Services District

CFD #1 Fund
Budgetary Comparison Statement
Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Other taxes | 959,760 | 959,760 | 1,024,603 | 64,843 |
| Use of money and property | 13,000 | 13,000 | 26,952 | 13,952 |
| Total Revenues | \$ 972,760 | \$ 972,760 | \$ 1,051,555 | \$ 78,795 |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 969,805 | 809,400 | 792,047 | 17,353 |
| Capital outlay | 120,000 | 120,000 | - | 120,000 |
| Total Expenditures | \$ 1,089,805 | \$ 929,400 | \$ 792,047 | \$ 137,353 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | (117,045) | 43,360 | 259,508 | 216,148 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | 25,000 | 26,091 | 1,091 |
| Transfers from the City of Moreno Valley | (25,000) | - | - | - |
| Total Other Financing Sources (Uses) | \$ 25,000 | \$ 25,000 | \$ 26,091 | \$ 1,091 |
| <i>Net Change in Fund Balances</i> | (92,045) | 68,360 | 285,599 | 217,239 |
| Fund Balances, Beginning of Year | 915,367 | 915,367 | 915,367 | - |
| Fund Balances, End of Year | \$ 823,322 | \$ 983,727 | \$ 1,200,966 | \$ 217,239 |

**City of Moreno Valley, California
Community Services District
Zone S Sunnymead Boulevard Maintenance
Budgetary Comparison Statement
Year Ended June 30, 2010**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Charges for services | 52,342 | 52,342 | 48,526 | (3,816) |
| Use of money and property | 1,644 | 1,644 | 2,187 | 543 |
| Total Revenues | \$ 53,986 | \$ 53,986 | \$ 50,713 | \$ (3,273) |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 92,219 | 58,634 | 41,188 | 17,446 |
| Total Expenditures | \$ 92,219 | \$ 58,634 | \$ 41,188 | \$ 17,446 |
| <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i> | (38,233) | (4,648) | 9,525 | 14,173 |
| <i>Net Change in Fund Balances</i> | (38,233) | (4,648) | 9,525 | 14,173 |
| Fund Balances, Beginning of Year | 74,077 | 74,077 | 74,077 | - |
| Fund Balances, End of Year | \$ 35,844 | \$ 69,429 | \$ 83,602 | \$ 14,173 |



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
City of Moreno Valley, California
Community Services District

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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Moreno Valley, California, Community Services District ("District") as of and for the year ended June 30, 2010, which collectively comprise the District's 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 District'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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Board of Directors
City of Moreno Valley, California
Community Services District
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 disclose all deficiencies in internal control that might be 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 other matters that were reported to the management of the City of Moreno Valley in a separate letter.

This report is intended solely for the information and use of the Board of Directors and District's management and is not intended to be and should not be used by anyone other than these specified parties.

Mayor Hoffman McClain P.L.

Irvine, California
December 21, 2010