



# Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2006

Prepared by:  
Department of Finance  
Steven M. Chapman  
Finance Director/City Treasurer



*City Hall*

CITY OF MORENO VALLEY, CALIFORNIA

CITY OF MORENO VALLEY  
COMPREHENSIVE FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006

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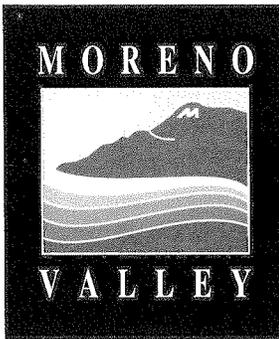
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February 22, 2007

To the Honorable Mayor, Members of the City Council and Citizens of the City of Moreno Valley:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Moreno Valley (the City) for the fiscal year ended June 30, 2006.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Mayer Hoffman McCann, P.C., a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2006. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing the Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the City of Moreno Valley**

The City of Moreno Valley was incorporated on December 3, 1984. It is centrally located in Southern California, 66 miles east of Los Angeles and 100 miles north of San Diego. The City encompasses approximately 50 square miles of land area in western Riverside County and with a population of 174,565 as reported in May, 2006 by the California State Department of Finance, is the second largest city in Riverside County. Moreno Valley's population is expected to grow by more than 4,500 residents each year for the next five years, and within 30 years, the current population is expected to double.

The City operates under the council-manager form of government with a five-member council elected by district for four-year overlapping terms. Each year the council elects the mayor for a one-year term. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City provides a wide range of services, which include general government, public safety (police, fire, code enforcement, animal control services, disaster preparedness, and school crossing guards), construction and maintenance of highways and streets, economic development, library, an electric utility which primarily serves the newly developed areas of the city, and recreation including senior programs. In addition to general City activities, the Council is financially accountable for the Community Redevelopment Agency of the City of Moreno Valley, the Moreno Valley Community Services District, the Moreno Valley Public Financing Authority, and the Moreno Valley Public Facilities Financing Corporation. These entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review in early May of each year. The Council holds a series of public meetings on the proposed budget, and generally adopts a final budget no later than June 30<sup>th</sup>. The City's fiscal year is July 1<sup>st</sup> through June 30<sup>th</sup>. The appropriated budget is prepared by fund, department and program and controlled at the department level. The City Manager can approve transfers of appropriations within a program or department, or between programs within a department, however, transfers of appropriations between departments or between funds requires Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 21 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 22.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Moreno Valley operates.

**Local economy.** The City of Moreno Valley is located in the Inland Empire, which consists of Riverside and San Bernardino Counties. The Inland Empire is experiencing a vibrant economic environment and for the past five years the City has sustained strong residential and commercial growth.

Taxable sales, business licenses issued, assessed valuation of all property within the City, and new housing starts, are four key business indicators of the financial health of the City. With the sustained housing boom, taxable sales have significantly increased over the past five years and City sales tax revenues are averaging above 10% growth per year, with 13% growth in FY 05-06. The number of business licenses issued has grown sharply over the same period, with 10% growth over 2005. The City's total assessed valuation has shown dramatic improvement since 2000. The last two Annual Reports prepared by the Riverside County Assessor's Office shows the City of Moreno Valley total assessed valuation increasing from \$7.5 billion in 2004 to \$9.3 billion in 2005-06, a 25% increase; and the most recent report for FY 2006-07 shows total assessed valuation increasing from \$9.3 billion to \$11.5 billion, another 23.1% increase. New housing starts have shown sustained growth over the past five years.

**Long-term financial planning.** Each year as part of the budget process the City prepares a five-year financial plan for the general fund and updates the ten-year capital improvements plan. The five-year financial plan includes the adopted budget plus four years of projections, which provides Council with the expected results of operations based on their budget policy decisions and assumptions about future revenues and expenditures. The ten-year capital improvements plan (CIP) includes all capital projects of \$25,000 or more, and identifies the timing of the project as well as the funding source. Year one of the CIP is the adopted capital expenditures budget for the City.

**Cash management policies and practices.** Cash temporarily idle during the year was invested principally in U.S. government agency securities and the State of California Local Agency Investment Fund (LAIF), and to a lesser extent in corporate bonds and notes. As required by state law and the City's Investment Policy, the maturities of the investments may not exceed five years, and at June 30, 2006 the average maturities was 1.20 years. All securities were held in third party safekeeping by Union Bank of California as agent for the City. All transactions originated and authorized by the City are transacted on a delivery versus payment (DVP) basis in order to perfect delivery. For FY 2005-06, the average yield on the investments was 3.59%.

**Risk management.** Risk exposures to the assets of the City are managed through a combination of self-insured retention and insurance coverage. The City believes they have current assets adequate to cover the actuarially determined liability for general liability and worker's compensation claims, including estimated claims incurred but not reported. The City maintains excess liability insurance to provide coverage beyond self-insured retentions of \$250,000 and \$300,000 per occurrence for general liability and worker's compensation, respectively.

**Pension benefits.** The City provides a defined benefit pension plan for all employees through a statewide plan managed by the California Public Employees Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The City has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to CalPERS. Additional information on the plan can be found in Note 9 in the notes to the financial statements.

## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Moreno Valley for its comprehensive annual financial report (CAFR) for the year ended June 30, 2005. This was the eighth consecutive year that the City has received this prestigious award. The City received the award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, particularly the leadership of Edith Houser, Controller. We would like to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation. Credit also must be given to other City departments for their assistance, and the City Council for their continuous support for maintaining the highest standards of professionalism in the management of the City of Moreno Valley's finances.

Lastly, we would like to thank the City's independent auditors, Mayer Hoffman McCann, for their assistance in preparing this important financial document.

Respectfully submitted,



Steven M. Chapman  
Finance Director/City Treasurer

# CITY OF MORENO VALLEY

## MUNICIPAL OFFICIALS

June 30, 2006

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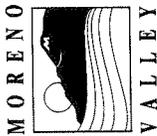
### CITY COUNCIL

Bonnie Flickinger, Mayor  
Charles R. White, Mayor Pro Tem  
William H. Batey II, Councilmember  
Richard A. Stewart, Councilmember  
Frank West, Councilmember

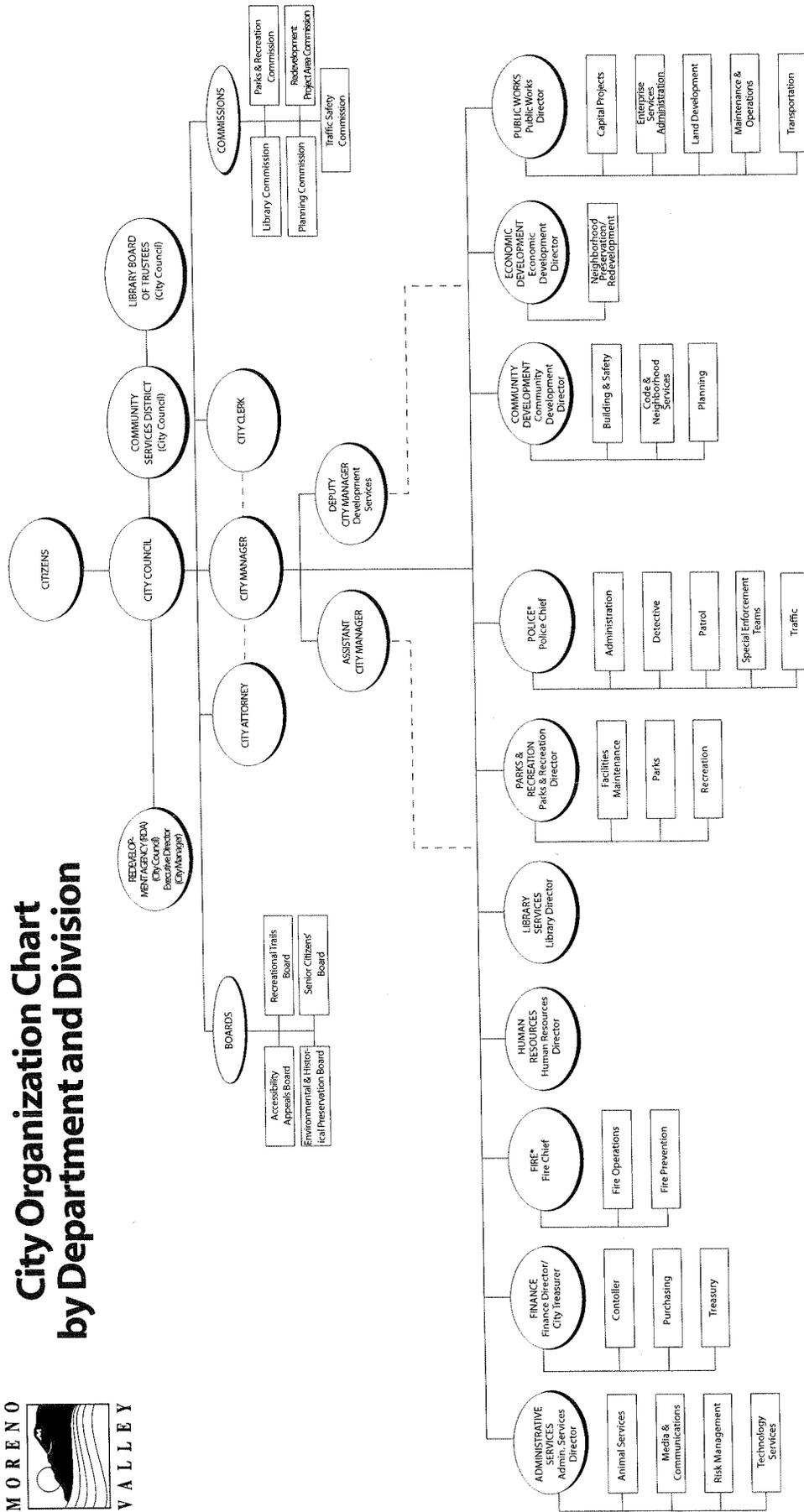
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### EXECUTIVE OFFICERS

Robert G. Gutierrez, City Manager  
Betsy Adams, Assistant City Manager  
Rick Hartmann, Deputy City Manager  
Robert Herrick, City Attorney  
Alice Reed, City Clerk  
Angela Rushen, Interim Administrative Services Director  
Denese Wilson, Human Resources Director  
Steven M. Chapman, Finance Director/City Treasurer  
Linda B. Guillis, Community Development Director  
Barry Foster, Economic Development Director  
Chris A. Vogt, Public Works Director/City Engineer  
George Guayante, Interim Parks and Recreation Director  
Cynthia Pirtle, Library Services Director  
William DiYorio, Police Chief  
Stan Lake, Fire Chief



# City Organization Chart by Department and Division



\* Performed by Contract

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Moreno Valley  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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Mayer Hoffman McCann P.C.

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Honorable Mayor and City Council  
City of Moreno Valley  
Moreno Valley, California

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moreno Valley, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Moreno Valley. 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 the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moreno Valley, California, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison information for the general fund and major special revenue funds of the City of Moreno Valley, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council  
City of Moreno Valley  
Moreno Valley, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Moreno Valley's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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  
January 30, 2007

## Management's Discussion and Analysis

As management of the City of Moreno Valley (the City), we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the City of Moreno Valley exceeded its liabilities at June 30, 2006 by \$696.9 million (*net assets*). Of this amount, \$47.9 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets have grown by \$2.5 million over FY 2004-05, or 5.5%.
- The City's governmental activities' net assets increased by \$81.8 million, which is largely attributable to the infusion of construction proceeds from the issuance of the Lease Revenue Bonds 2005, and development impact fees that are restricted for future capital outlay.
- During the year, the City (which includes the Community Redevelopment Agency of the City of Moreno Valley and the Moreno Valley Community Services District) had revenues that were \$61.4 million more than the \$111.5 million expenses recorded by the City in its governmental and business-type activities.
- The General Fund had an end of year fund balance of \$37.7 million, an increase of \$6.7 million and a 21.5% increase over FY 2004-05.
- A \$5.5 million designation of the General Fund unreserved fund balance was maintained to further stabilize future service levels related to development services in the event of an economic downturn.
- A \$12.2 million designation of the General Fund unreserved fund balance was maintained for emergencies and contingencies.
- As the City recognizes the need to begin the prudent accumulation of assets to meet the "other post-employment benefits" requirements of implementing GASB 45, an initial \$800,000 was designated for post-employment retirement benefits.

### Overview of Financial Statements

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements display functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, community development, community and cultural, public works, and interest on long-term debt. The business type activities of the City include the electric utility.

The government-wide financial statements include the City and its component units. The City's component units are the Community Redevelopment Agency of the City of Moreno Valley, Moreno Valley Community Services District, Moreno Valley Public Financing Authority, and the Moreno Valley Public Facilities Financing Corporation. Although legally separate, for all practical purposes these entities function as departments of the City and therefore have been blended as part of the primary government.

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

**Governmental funds.** *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 48 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Fire Services, CSD Zones A-E & L, and Development Impact Fees Special Revenue Funds, and the Lease Revenue Bonds 2005 and Redevelopment Agency Capital Projects Fund, all of which are considered to be major funds. Data from the other 42 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

**Proprietary funds.** The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its electric utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores, technology services, graphics, city hall facility, equipment maintenance and equipment replacement. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The electric utility, the City's newest and only enterprise fund, is included in Other Enterprise Funds. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as *trustee*. The *Statement of Fiduciary Net Assets* separately reports all of the City's fiduciary activities. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. However, the City is responsible for ensuring that the assets reported in these

funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Moreno Valley, assets exceeded liabilities by \$697 million at June 30, 2006.

By far the largest portion of the City's net assets (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities, as of June 30, 2006.

**Table 1**  
**Net Assets**  
**(in \$000's)**

	Governmental Activities		Business type Activities		Totals	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 154,563	\$ 246,186	\$ (313)	\$ 247	\$ 154,250	\$ 246,433
Capital assets	516,123	559,414	2,097	18,618	518,220	578,032
Total assets	<u>670,686</u>	<u>805,600</u>	<u>1,784</u>	<u>18,865</u>	<u>672,470</u>	<u>824,465</u>
Current Liabilities	28,655	35,244	488	2,229	29,143	37,473
Long-term liabilities	42,005	87,961	281	2,198	42,286	90,159
Total liabilities	<u>70,660</u>	<u>123,205</u>	<u>769</u>	<u>4,427</u>	<u>71,429</u>	<u>127,632</u>
Net assets:						
Invested in capital assets, net of related debt	475,642	520,265	1,815	18,151	477,457	538,416
Restricted	78,169	110,547	-	-	78,169	110,547
Unrestricted	46,215	51,583	(800)	(3,713)	45,415	47,870
Total net assets	<u>\$ 600,026</u>	<u>\$ 682,395</u>	<u>\$ 1,015</u>	<u>\$ 14,438</u>	<u>\$ 601,041</u>	<u>\$ 696,833</u>

The following table presents a summarization of the changes in net assets of the City's governmental activities, as of June 30, 2006.

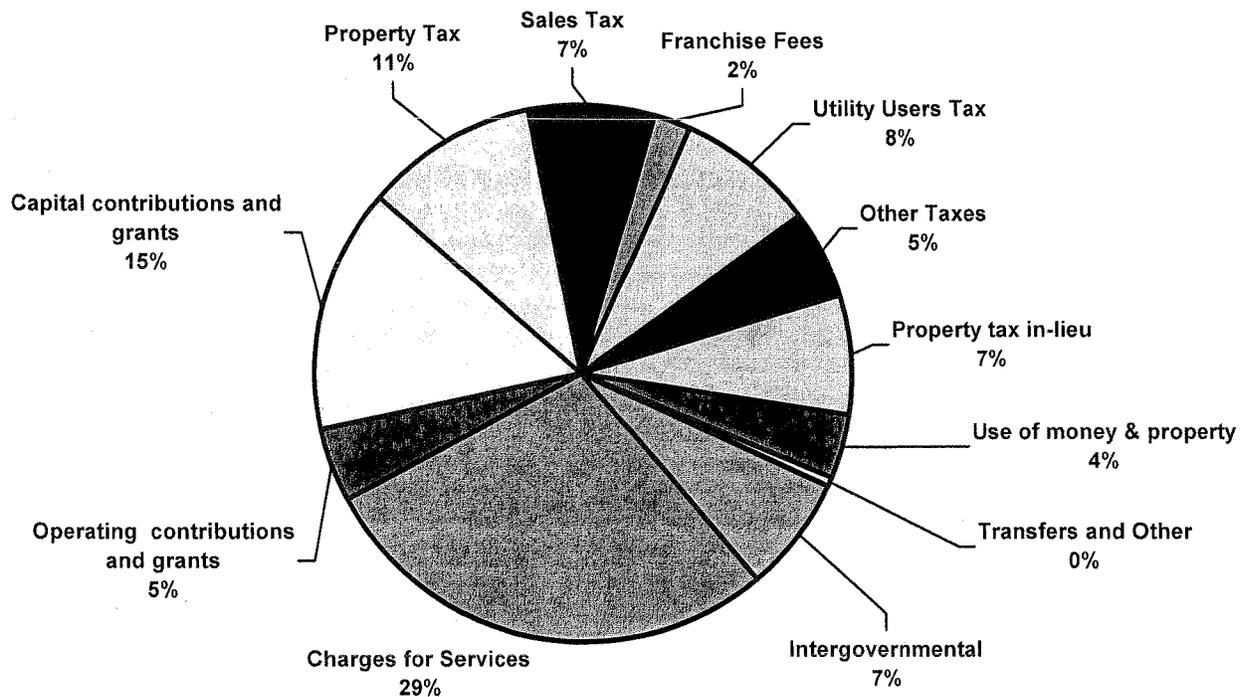
**Table 2**  
**Changes in Net Assets**  
**(in \$000's)**

	Governmental Activities		Business type Activities		Total	
	2005	2006	2005	2006	2005	2006
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 37,481	\$ 47,656	\$ 1,357	\$ 4,982	\$ 38,838	\$ 52,638
Operating contributions and grants	5,438	7,632	-	-	5,438	7,632
Capital contributions and grants	2,160	24,442	-	6,464	2,160	30,906
<b>General Revenues:</b>						
Property tax	11,033	18,002	-	-	11,033	18,002
Property tax in lieu	8,645	12,068	-	-	8,645	12,068
Transient occupancy tax	519	582	-	-	519	582
Sales tax	18,054	12,276	-	-	18,054	12,276
Franchise tax	3,781	4,100	-	-	3,781	4,100
Business license tax	1,059	1,241	-	-	1,059	1,241
Utility user's tax	12,528	13,812	-	-	12,528	13,812
Franchise in lieu tax	11	43	-	-	11	43
Documentary transfer tax	1,391	1,548	-	-	1,391	1,548
Other taxes	4,906	5,449	-	-	4,906	5,449
Intergovernmental	12,129	11,900	-	-	12,129	11,900
Use of money and property	5,295	6,959	-	-	5,295	6,959
Other	5,435	1,821	589	-	6,024	1,821
<b>Total Revenues</b>	<b>129,865</b>	<b>169,531</b>	<b>1,946</b>	<b>11,446</b>	<b>131,811</b>	<b>180,977</b>
<b>Expenses:</b>						
General government	18,584	12,818	-	-	18,584	12,818
Public safety	42,798	47,282	-	-	42,798	47,282
Community development	10,042	13,666	-	-	10,042	13,666
Community and cultural	14,132	16,000	-	-	14,132	16,000
Public works	11,353	10,274	-	-	11,353	10,274
Interest on long-term debt	5,514	8,080	-	-	5,514	8,080
Electric	-	-	1,081	3,674	1,081	3,674
<b>Total Expenses</b>	<b>102,423</b>	<b>108,120</b>	<b>1,081</b>	<b>3,674</b>	<b>103,504</b>	<b>111,794</b>
<b>Increase in net assets before transfers</b>	<b>27,442</b>	<b>61,411</b>	<b>865</b>	<b>7,772</b>	<b>28,307</b>	<b>69,183</b>
Transfers	(17)	(1,257)	17	1,257	-	-
<b>Increase in Net Assets</b>	<b>27,425</b>	<b>60,154</b>	<b>882</b>	<b>9,029</b>	<b>28,307</b>	<b>69,183</b>
Restatement of Net Assets	530	22,215	-	4,394	530	26,609
Net Assets Beginning	572,071	600,026	133	1,015	572,204	601,041
<b>Net Assets Ending</b>	<b>\$ 600,026</b>	<b>\$ 682,395</b>	<b>\$ 1,015</b>	<b>\$ 14,438</b>	<b>\$ 601,041</b>	<b>\$ 696,833</b>

## Governmental Activities

The government's net assets increased by \$60.2 million, with total revenues of \$169.5 million, total expenses of \$108 million, and a restatement of previously underreported net assets of \$22.2 million, largely attributed to the influx of developer-contributed infrastructure. Program revenues were \$79.7 million and general revenues were \$88.5 million, funding the net difference between program revenues and expenses. The largest single revenue category was charges for services, at \$47.7 million, which is program revenue. This revenue goes directly against expenses in recovering the costs of providing those services. This revenue category increased by \$10.2 million over FY 2004-05, which is primarily due to the increase in development-related fees. The second largest single category of revenue was capital contributions and grants at \$24.4 million, which is program revenue. This revenue category increased by \$22.2 million over FY 2004-05, which is primarily due to the construction proceeds of the Lease Revenue Bonds 2005. The third largest single revenue category was property tax at \$18 million, and is general revenue. Utility user's tax was the fourth largest single revenue source at \$13.8 million, and sales tax was the fifth largest at \$12.3 million. Graph 1 presents the revenues by source for governmental activities for the fiscal year ended June 30, 2006.

**Graph 1**  
**Revenues by Source – Governmental Activities**



The single largest expense category was public safety at \$47.3 million, accounting for 43.7% of total expenses. Community and cultural was the second largest expense category at \$16 million. Community development was the third largest expense category at \$13.7 million. General government was the fourth largest expense category at \$12.8 million, followed by public works at \$10.3 million, the fifth largest expense category, and interest on long-term debt at \$8 million, the sixth largest expense category.

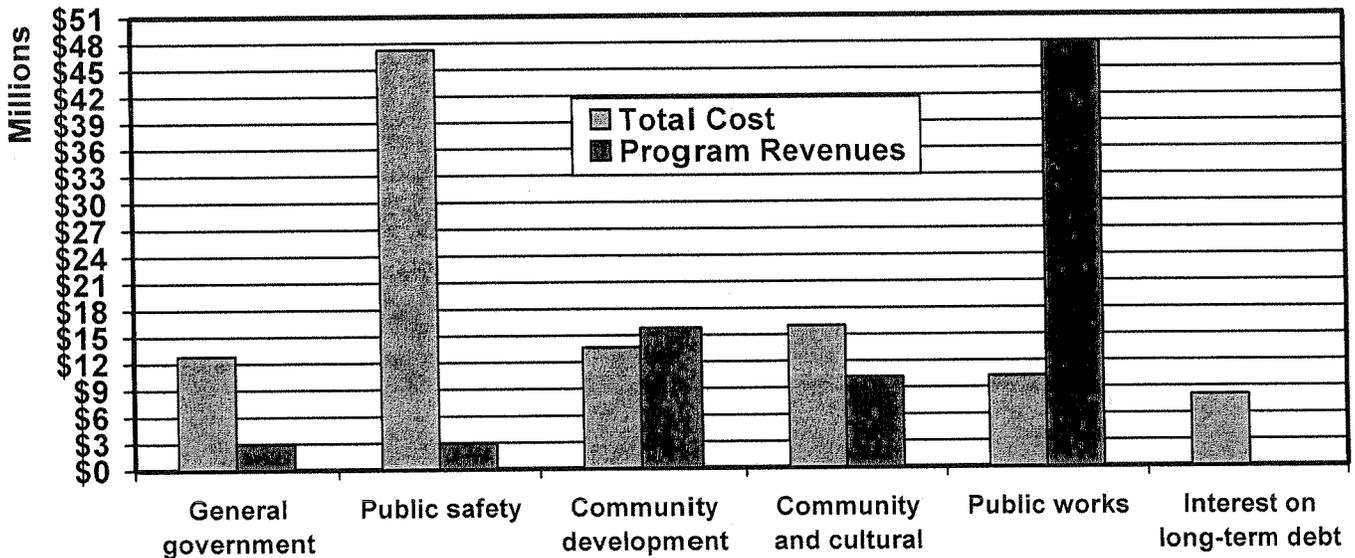
Table 3 presents the cost of each of the six major program categories, and identifies each program's *net cost* (total cost less revenues generated by the activities). The net cost is the financial burden that was placed on the City's taxpayers by each of the activities.

**Table 3**  
**Governmental Activities - Net Cost of Services**  
**For the year ended June 30, 2006**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 12,817,483	\$ (9,947,443)
Public safety	47,282,305	(44,402,659)
Community development	13,666,378	2,162,513
Community and cultural	15,999,800	(5,798,966)
Public works	10,273,707	37,677,589
Interest on long-term debt	<u>8,079,935</u>	<u>(8,079,935)</u>
<b>TOTAL</b>	<b><u>\$ 108,119,608</u></b>	<b><u>\$ (28,388,901)</u></b>

As illustrated in the above table, program revenues recovered \$79.7 million of the cost of providing these services. The City paid for the remaining public benefit portion of these governmental activities with \$28.4 million in taxes (some of which were restricted for certain programs) and with other revenues. This governmental activity cost/revenue relationship is further illustrated in the following graph.

**Graph 2**  
**Governmental Activities - Net Cost of Services**  
**For the year ended June 30, 2006**



**THE CITY'S FUNDS**

Total fund balances presented in the governmental funds balance sheet are \$162.6 million with the General Fund representing \$37.7 million, or 23% of the total. The City's General Fund fund balance has reserved \$11.8 million for long-term receivables, encumbrances, and prepaid and other assets.

**General Fund Financial Results**

The fund balance of the General Fund increased by \$6.7 million over FY 2004-05. This was primarily attributed to strong growth in tax revenues, including property tax, property tax in-lieu of sales tax, utility user's tax, and sales tax. As the nation's 6<sup>th</sup> fastest growing city, according to the U.S. Census Bureau, the City's assessed valuation increased by 25% over FY 2004-05.

In terms of budgetary highlights, the expected \$9.4 million net decrease in fund balance for the year gave way to an unanticipated \$6.7 million increase in fund balance, a \$16.1 million positive turnaround. This variance can generally be attributed to the following:

- There was \$8.8 million more in revenue received than budgeted. Nearly \$4.0 million of the difference is related to the unanticipated growth in both property tax and property tax in lieu (*of vehicle license fees*), which was primarily the result of a better than expected growth in assessed valuation, 25% over FY 2004-05. Under the new State formula which eliminated all but a small percentage of the vehicle license fee imposed on California consumers upon registration, the City now receives replacement revenue through a new distribution of local property tax that grows based on the City's assessed valuation. Additionally, licenses and permits exceeded budget by \$1.2 million, and is attributed to better than expected development activity affecting building permits, planning fees, and engineering inspection and plan check fees.
- There was a \$5.5 million savings in budgeted expenditures, primarily in the areas of general government (\$2.4 million), community development (\$1.6 million), and public works (\$1.2 million).
- The "transfers in" exceeded budget by \$1.1 million, primarily the result of development impact fees transferred to the General Fund to reimburse for start-up costs of capital projects.

### **Other Major Fund Financial Results**

The fund balance of the Fire Services Special Revenue Fund increased by \$533,000 over FY 2004-05, and is primarily the result of increased property tax from the 25% growth in assessed valuation in the service area of the fund, as well as expenditure budget savings.

The fund balance of the CSD Zones Special Revenue Fund increased by \$364,000 over FY 2004-05, and is primarily the result of transfers from other funds for services rendered on their behalf.

The fund balance of the Development Impact Fees Special Revenue Fund increased by \$3.1 million over FY 2004-05, primarily the net result of impact fees collected by the City during the year, and subsequently transferred to various capital projects that are either partially or totally funded by these restricted revenues.

The fund balance of the Lease Revenue Bonds 2005 Capital Projects Fund increased by \$44.9 million, which is attributed to the issuance of the bonds in July 2005, and generally consists of the unspent construction proceeds resulting from the issuance.

The fund balance of the Community Redevelopment Agency Capital Projects Fund decreased by \$11.0 million over FY 2004-05, and is attributed to the Agency's purchase of the Conference and Recreation Center from the City.

The net assets of the Electric Enterprise Fund increased by \$9.0 million over FY 2004-05, and is primarily the result of \$6.4 million in capital contributions during the year, and \$7.8 million in net income before transfers.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2006, the City had \$754.5 million invested in a broad range of capital assets, including land, buildings and improvements, machinery, vehicles and equipment, park facilities, roads, highways and bridges (See Table 4). The increase was as a result of additions and deletions in the amount of \$35.5 million. In addition, developer contributed infrastructure related to the prior year was recorded in the current year in the amount of \$20.9 million.

**Table 4**  
**Capital Assets at Year End**  
**(Net of Depreciation)**  
**For the Year Ended June 30, 2006**

	Governmental Activities
Land	\$ 303,767,017
Buildings and improvements	60,467,092
Machinery and equipment	3,063,684
Vehicles	3,181,598
Construction in progress	15,512,613
Infrastructure	173,422,129
TOTAL	\$ 559,414,133

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements.

#### Long-Term Debt

At year-end, the City's governmental activities had \$88 million in bonds, certificates of participation, notes and accrued interest, leases and compensated absences, versus \$42 million last year, an increase of \$46 million, or 110%. The increase is primarily the result of the City's issuance of \$48.2 million in 2005 Lease Revenue Bonds. The City was able to meet its current debt obligations in a timely manner.

The City has an active Debt Management Committee and a City Council-approved Debt Management Policy. Table 5 (below) provides the total long-term debt by category.

**Table 5**  
**Outstanding Debt at Year End**  
**For the Year Ended June 30, 2006**

	Governmental Activities
Special Tax Bonds	\$ 23,345,000
Certificates of Participation	7,115,000
Lease Revenue Bonds	52,635,000
Notes (plus accrued interest)	2,818,937
Capital Leases	115,072
Compensated Absences	1,932,369
TOTAL	\$ 87,961,378

Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements.

#### ECONOMIC FACTORS AND OUTLOOK FOR FUTURE YEARS

Although the focus of this Annual Report is on the economic condition of the City in the fiscal year that ended June 30, 2006, it is incumbent upon the City's financial management to provide in this report some discussion of current issues and their economic impact on FY 2006-07 and future years.

With a January 1, 2006 population of 174,565, Moreno Valley was recently named by the U.S. Census Bureau as the nation's 6<sup>th</sup> fastest growing city, and is the 2<sup>nd</sup> largest city in Riverside County. The fast growth

is attributed to a range of housing options: affordable single family homes, condominiums and executive homes, family oriented lifestyle, good schools, and quality-of-life amenities. The average price of a new home in Moreno Valley has risen to \$401,750, and the average value of an existing home is now \$366,000. The average family household income is now \$62,564.

The growth and prosperity now being realized by the City is attributed to a number of factors. One of those factors is the affordable cost of land in a city that is only half built-out, and occupies what is certainly one of the most scenic of the undeveloped areas in Western Riverside County. According to the Riverside County Assessor's FY 2006-07 Annual Report, the City of Moreno Valley 2006 assessed valuation grew by \$2.2 billion, or 23% over 2005. Between FY 2004-05 and FY 2005-06, assessed valuation grew by 25%, which is 48% growth in just two years. Since 2001, the City's assessed valuation has grown 83%. During the same period, the City's sales tax growth has averaged nearly 9%.

The current five-member City Council has been together without any change in office since January 1, 1997. Over this remarkable 10-year period, the Council has worked closely with the City's financial management team to implement numerous best practices. The City has long exercised careful financial planning during its lean years, nearly the entire decade of the 1990's. The decision to create strong contingencies reserves has helped the City to absorb revenue losses without any disruption of service levels. At June 30, 2006, the contingencies reserve was \$12.1 million, and equal to 15% of the ensuing year's General Fund operating budget. Because of the phenomenal growth in development services revenues, there has been a steady growth in the related expenditures to meet the residential, commercial and industrial demand, and at June 30, 2006, the City maintained a \$5.5 million Development Services Reserve (fund balance designation) to stabilize development service levels in the event of a downturn in the economy.

In 2005, Standard & Poor's acknowledged the City's financial stability as a result of its City Council leadership and management team efforts by upgrading the City's underlying credit rating from Moody's BAA1 to Standard & Poor's A-.

The City's electric utility began servicing customers in February 2004, and by fiscal year-end, was servicing nearly 250 new homes. Today, the total number of customers exceeds 4,200. The utility was established for two major reasons: economic development and the health and stability of the City's General Fund. The City will be able to offer incentives as a way to attract new businesses and jobs to Moreno Valley.

The City incorporated the "greenfield" concept of providing energy to its customers. The greenfield approach is aimed at serving future development in service areas that are now vacant. An estimated 30,000 new homes will be built in the next 20 years, accompanied by a continual influx of commercial and industrial development to provide jobs and services for new residents. By build out, the electrical utility will be serving areas that approximate a city of over 100,000, a significant service area. This substantial customer base will generate millions of dollars in revenues that can be used for economic development projects and cash flows to the general fund.

The City's electric utility has experienced extremely rapid growth, significantly exceeding growth expectations at the time of its formation. Conservative projections indicated that the utility would grow at about 750 meters per year, and it would be 2009 before it would approach 5,000 plus meters. The electric utility is presently serving 4,242 meters and will likely exceed the 5,000 mark before the end of summer 2007. A substation/switchyard project is already under construction, with temporary financing being provided by the General Fund based upon Council approval of a \$5.6 million line of credit. When the lease revenue bonds are issued in May, 2007 to finance the entire \$21.5 million project, the General Fund will be reimbursed for its advances.

In terms of economic development, a number of projects are in process and will have a significant and positive impact on the City's ability to attract new and retain existing businesses. The Sunnymead Boulevard property owners have approved the formation of a maintenance district, and construction plans are being prepared to begin a \$10.5 million improvement project in this commercial area, a key entryway to the City. City staff is working closely with General Growth, the owners of the Moreno Valley Mall, on a multi-phase upgrade and expansion project. A new state-of-the-art theatre complex has opened at the mall, and several new tenants are locating there. With so many new rooftops in Moreno Valley, a number of new neighborhood

shopping centers are being pursued. A new Wal-Mart Super Center, adjacent to the Moreno Valley Auto Mall and Highway 60 in the fast developing eastern portion of the city, opened in the spring of 2006. Staff is fast-tracking a 55-acre center where a Super Target and Kohl's are the major anchors, and discussions are in process with several other well-known retailers.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director/City Treasurer, City of Moreno Valley, 14177 Frederick Street, P.O. Box 88005, Moreno Valley, California 92552-0805.

## Management's Discussion and Analysis

As management of the City of Moreno Valley (the City), we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the City of Moreno Valley exceeded its liabilities at June 30, 2006 by \$696.9 million (*net assets*). Of this amount, \$47.9 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets have grown by \$2.5 million over FY 2004-05, or 5.5%.
- The City's governmental activities' net assets increased by \$81.8 million, which is largely attributable to the infusion of construction proceeds from the issuance of the Lease Revenue Bonds 2005, and development impact fees that are restricted for future capital outlay.
- During the year, the City (which includes the Community Redevelopment Agency of the City of Moreno Valley and the Moreno Valley Community Services District) had revenues that were \$61.4 million more than the \$111.5 million expenses recorded by the City in its governmental and business-type activities.
- The General Fund had an end of year fund balance of \$37.7 million, an increase of \$6.7 million and a 21.5% increase over FY 2004-05.
- A \$5.5 million designation of the General Fund unreserved fund balance was maintained to further stabilize future service levels related to development services in the event of an economic downturn.
- A \$12.2 million designation of the General Fund unreserved fund balance was maintained for emergencies and contingencies.
- As the City recognizes the need to begin the prudent accumulation of assets to meet the "other post-employment benefits" requirements of implementing GASB 45, an initial \$800,000 was designated for post-employment retirement benefits.

### Overview of Financial Statements

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements display functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, community development, community and cultural, public works, and interest on long-term debt. The business type activities of the City include the electric utility.

The government-wide financial statements include the City and its component units. The City's component units are the Community Redevelopment Agency of the City of Moreno Valley, Moreno Valley Community Services District, Moreno Valley Public Financing Authority, and the Moreno Valley Public Facilities Financing Corporation. Although legally separate, for all practical purposes these entities function as departments of the City and therefore have been blended as part of the primary government.

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

**Governmental funds.** *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 48 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Fire Services, CSD Zones A-E & L, and Development Impact Fees Special Revenue Funds, and the Lease Revenue Bonds 2005 and Redevelopment Agency Capital Projects Fund, all of which are considered to be major funds. Data from the other 42 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

**Proprietary funds.** The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its electric utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores, technology services, graphics, city hall facility, equipment maintenance and equipment replacement. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The electric utility, the City's newest and only enterprise fund, is included in Other Enterprise Funds. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as *trustee*. The *Statement of Fiduciary Net Assets* separately reports all of the City's fiduciary activities. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. However, the City is responsible for ensuring that the assets reported in these

funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Moreno Valley, assets exceeded liabilities by \$697 million at June 30, 2006.

By far the largest portion of the City's net assets (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities, as of June 30, 2006.

**Table 1  
Net Assets  
(in \$000's)**

	Governmental Activities		Business type Activities		Totals	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 154,563	\$ 246,186	\$ (313)	\$ 247	\$ 154,250	\$ 246,433
Capital assets	516,123	559,414	2,097	18,618	518,220	578,032
Total assets	<u>670,686</u>	<u>805,600</u>	<u>1,784</u>	<u>18,865</u>	<u>672,470</u>	<u>824,465</u>
Current Liabilities	28,655	35,244	488	2,229	29,143	37,473
Long-term liabilities	42,005	87,961	281	2,198	42,286	90,159
Total liabilities	<u>70,660</u>	<u>123,205</u>	<u>769</u>	<u>4,427</u>	<u>71,429</u>	<u>127,632</u>
Net assets:						
Invested in capital assets, net of related debt	475,642	520,265	1,815	18,151	477,457	538,416
Restricted	78,169	110,547	-	-	78,169	110,547
Unrestricted	46,215	51,583	(800)	(3,713)	45,415	47,870
Total net assets	<u>\$ 600,026</u>	<u>\$ 682,395</u>	<u>\$ 1,015</u>	<u>\$ 14,438</u>	<u>\$ 601,041</u>	<u>\$ 696,833</u>

The following table presents a summarization of the changes in net assets of the City's governmental activities, as of June 30, 2006.

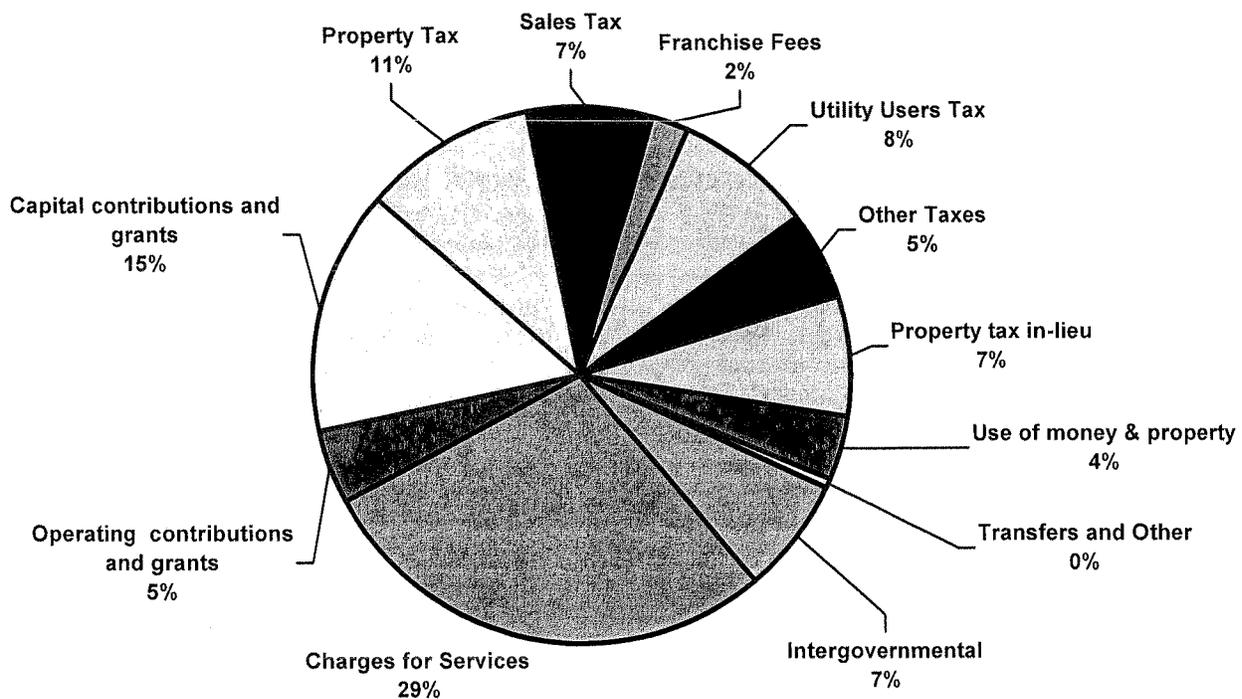
**Table 2**  
**Changes in Net Assets**  
**(in \$000's)**

	Governmental		Business type		Total	
	Activities	Activities	Activities	Activities	2005	2006
	2005	2006	2005	2006	2005	2006
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 37,481	\$ 47,656	\$ 1,357	\$ 4,982	\$ 38,838	\$ 52,638
Operating contributions and grants	5,438	7,632	-	-	5,438	7,632
Capital contributions and grants	2,160	24,442	-	6,464	2,160	30,906
<b>General Revenues:</b>						
Property tax	11,033	18,002	-	-	11,033	18,002
Property tax in lieu	8,645	12,068	-	-	8,645	12,068
Transient occupancy tax	519	582	-	-	519	582
Sales tax	18,054	12,276	-	-	18,054	12,276
Franchise tax	3,781	4,100	-	-	3,781	4,100
Business license tax	1,059	1,241	-	-	1,059	1,241
Utility user's tax	12,528	13,812	-	-	12,528	13,812
Franchise in lieu tax	11	43	-	-	11	43
Documentary transfer tax	1,391	1,548	-	-	1,391	1,548
Other taxes	4,906	5,449	-	-	4,906	5,449
Intergovernmental	12,129	11,900	-	-	12,129	11,900
Use of money and property	5,295	6,959	-	-	5,295	6,959
Other	5,435	1,821	589	-	6,024	1,821
<b>Total Revenues</b>	<b>129,865</b>	<b>169,531</b>	<b>1,946</b>	<b>11,446</b>	<b>131,811</b>	<b>180,977</b>
<b>Expenses:</b>						
General government	18,584	12,818	-	-	18,584	12,818
Public safety	42,798	47,282	-	-	42,798	47,282
Community development	10,042	13,666	-	-	10,042	13,666
Community and cultural	14,132	16,000	-	-	14,132	16,000
Public works	11,353	10,274	-	-	11,353	10,274
Interest on long-term debt	5,514	8,080	-	-	5,514	8,080
Electric	-	-	1,081	3,674	1,081	3,674
<b>Total Expenses</b>	<b>102,423</b>	<b>108,120</b>	<b>1,081</b>	<b>3,674</b>	<b>103,504</b>	<b>111,794</b>
Increase in net assets before transfers	27,442	61,411	865	7,772	28,307	69,183
Transfers	(17)	(1,257)	17	1,257	-	-
Increase in Net Assets	27,425	60,154	882	9,029	28,307	69,183
Restatement of Net Assets	530	22,215	-	4,394	530	26,609
Net Assets Beginning	572,071	600,026	133	1,015	572,204	601,041
<b>Net Assets Ending</b>	<b>\$ 600,026</b>	<b>\$ 682,395</b>	<b>\$ 1,015</b>	<b>\$ 14,438</b>	<b>\$ 601,041</b>	<b>\$ 696,833</b>

## Governmental Activities

The government's net assets increased by \$60.2 million, with total revenues of \$169.5 million, total expenses of \$108 million, and a restatement of previously underreported net assets of \$22.2 million, largely attributed to the influx of developer-contributed infrastructure. Program revenues were \$79.7 million and general revenues were \$88.5 million, funding the net difference between program revenues and expenses. The largest single revenue category was charges for services, at \$47.7 million, which is program revenue. This revenue goes directly against expenses in recovering the costs of providing those services. This revenue category increased by \$10.2 million over FY 2004-05, which is primarily due to the increase in development-related fees. The second largest single category of revenue was capital contributions and grants at \$24.4 million, which is program revenue. This revenue category increased by \$22.2 million over FY 2004-05, which is primarily due to the construction proceeds of the Lease Revenue Bonds 2005. The third largest single revenue category was property tax at \$18 million, and is general revenue. Utility user's tax was the fourth largest single revenue source at \$13.8 million, and sales tax was the fifth largest at \$12.3 million. Graph 1 presents the revenues by source for governmental activities for the fiscal year ended June 30, 2006.

**Graph 1**  
**Revenues by Source – Governmental Activities**



The single largest expense category was public safety at \$47.3 million, accounting for 43.7% of total expenses. Community and cultural was the second largest expense category at \$16 million. Community development was the third largest expense category at \$13.7 million. General government was the fourth largest expense category at \$12.8 million, followed by public works at \$10.3 million, the fifth largest expense category, and interest on long-term debt at \$8 million, the sixth largest expense category.

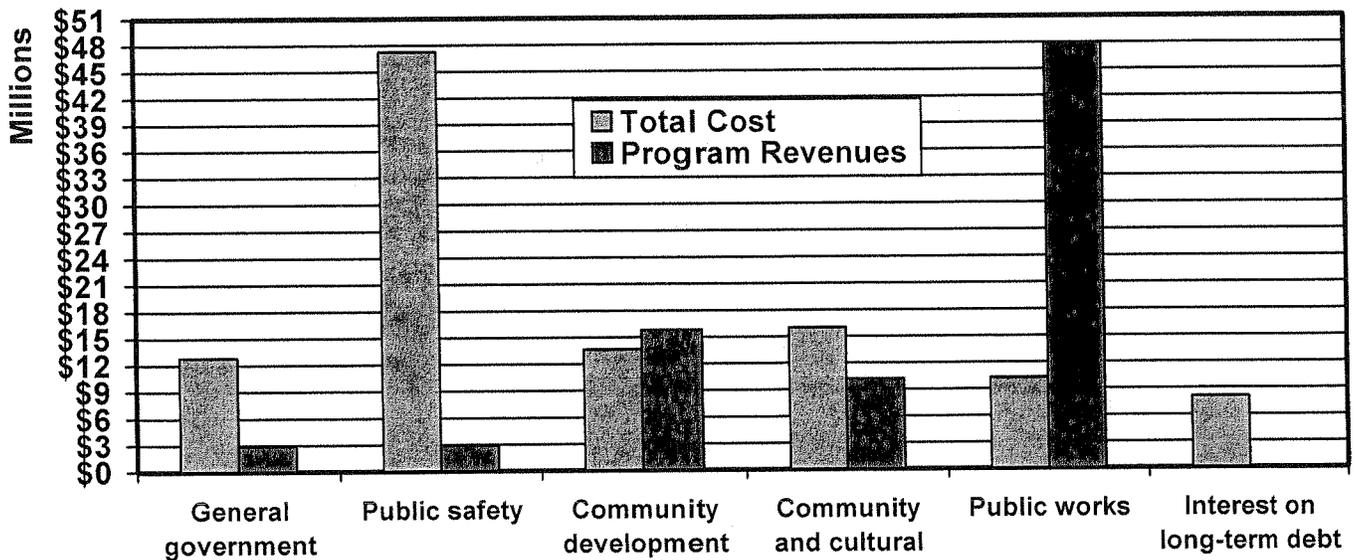
Table 3 presents the cost of each of the six major program categories, and identifies each program's *net cost* (total cost less revenues generated by the activities). The net cost is the financial burden that was placed on the City's taxpayers by each of the activities.

**Table 3  
Governmental Activities - Net Cost of Services  
For the year ended June 30, 2006**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 12,817,483	\$ (9,947,443)
Public safety	47,282,305	(44,402,659)
Community development	13,666,378	2,162,513
Community and cultural	15,999,800	(5,798,966)
Public works	10,273,707	37,677,589
Interest on long-term debt	<u>8,079,935</u>	<u>(8,079,935)</u>
<b>TOTAL</b>	<b><u>\$ 108,119,608</u></b>	<b><u>\$ (28,388,901)</u></b>

As illustrated in the above table, program revenues recovered \$79.7 million of the cost of providing these services. The City paid for the remaining public benefit portion of these governmental activities with \$28.4 million in taxes (some of which were restricted for certain programs) and with other revenues. This governmental activity cost/revenue relationship is further illustrated in the following graph.

**Graph 2  
Governmental Activities - Net Cost of Services  
For the year ended June 30, 2006**



**THE CITY'S FUNDS**

Total fund balances presented in the governmental funds balance sheet are \$162.6 million with the General Fund representing \$37.7 million, or 23% of the total. The City's General Fund fund balance has reserved \$11.8 million for long-term receivables, encumbrances, and prepaid and other assets.

**General Fund Financial Results**

The fund balance of the General Fund increased by \$6.7 million over FY 2004-05. This was primarily attributed to strong growth in tax revenues, including property tax, property tax in-lieu of sales tax, utility user's tax, and sales tax. As the nation's 6<sup>th</sup> fastest growing city, according to the U.S. Census Bureau, the City's assessed valuation increased by 25% over FY 2004-05.

In terms of budgetary highlights, the expected \$9.4 million net decrease in fund balance for the year gave way to an unanticipated \$6.7 million increase in fund balance, a \$16.1 million positive turnaround. This variance can generally be attributed to the following:

- There was \$8.8 million more in revenue received than budgeted. Nearly \$4.0 million of the difference is related to the unanticipated growth in both property tax and property tax in lieu (*of vehicle license fees*), which was primarily the result of a better than expected growth in assessed valuation, 25% over FY 2004-05. Under the new State formula which eliminated all but a small percentage of the vehicle license fee imposed on California consumers upon registration, the City now receives replacement revenue through a new distribution of local property tax that grows based on the City's assessed valuation. Additionally, licenses and permits exceeded budget by \$1.2 million, and is attributed to better than expected development activity affecting building permits, planning fees, and engineering inspection and plan check fees.
- There was a \$5.5 million savings in budgeted expenditures, primarily in the areas of general government (\$2.4 million), community development (\$1.6 million), and public works (\$1.2 million).
- The "transfers in" exceeded budget by \$1.1 million, primarily the result of development impact fees transferred to the General Fund to reimburse for start-up costs of capital projects.

### **Other Major Fund Financial Results**

The fund balance of the Fire Services Special Revenue Fund increased by \$533,000 over FY 2004-05, and is primarily the result of increased property tax from the 25% growth in assessed valuation in the service area of the fund, as well as expenditure budget savings.

The fund balance of the CSD Zones Special Revenue Fund increased by \$364,000 over FY 2004-05, and is primarily the result of transfers from other funds for services rendered on their behalf.

The fund balance of the Development Impact Fees Special Revenue Fund increased by \$3.1 million over FY 2004-05, primarily the net result of impact fees collected by the City during the year, and subsequently transferred to various capital projects that are either partially or totally funded by these restricted revenues.

The fund balance of the Lease Revenue Bonds 2005 Capital Projects Fund increased by \$44.9 million, which is attributed to the issuance of the bonds in July 2005, and generally consists of the unspent construction proceeds resulting from the issuance.

The fund balance of the Community Redevelopment Agency Capital Projects Fund decreased by \$11.0 million over FY 2004-05, and is attributed to the Agency's purchase of the Conference and Recreation Center from the City.

The net assets of the Electric Enterprise Fund increased by \$9.0 million over FY 2004-05, and is primarily the result of \$6.4 million in capital contributions during the year, and \$7.8 million in net income before transfers.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2006, the City had \$754.5 million invested in a broad range of capital assets, including land, buildings and improvements, machinery, vehicles and equipment, park facilities, roads, highways and bridges (See Table 4). The increase was as a result of additions and deletions in the amount of \$35.5 million. In addition, developer contributed infrastructure related to the prior year was recorded in the current year in the amount of \$20.9 million.

**Table 4**  
**Capital Assets at Year End**  
**(Net of Depreciation)**  
**For the Year Ended June 30, 2006**

	<u>Governmental Activities</u>
Land	\$ 303,767,017
Buildings and improvements	60,467,092
Machinery and equipment	3,063,684
Vehicles	3,181,598
Construction in progress	15,512,613
Infrastructure	<u>173,422,129</u>
<b>TOTAL</b>	<b>\$ <u>559,414,133</u></b>

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements.

#### **Long-Term Debt**

At year-end, the City's governmental activities had \$88 million in bonds, certificates of participation, notes and accrued interest, leases and compensated absences, versus \$42 million last year, an increase of \$46 million, or 110%. The increase is primarily the result of the City's issuance of \$48.2 million in 2005 Lease Revenue Bonds. The City was able to meet its current debt obligations in a timely manner.

The City has an active Debt Management Committee and a City Council-approved Debt Management Policy. Table 5 (below) provides the total long-term debt by category.

**Table 5**  
**Outstanding Debt at Year End**  
**For the Year Ended June 30, 2006**

	<u>Governmental Activities</u>
Special Tax Bonds	\$ 23,345,000
Certificates of Participation	7,115,000
Lease Revenue Bonds	52,635,000
Notes (plus accrued interest)	2,818,937
Capital Leases	115,072
Compensated Absences	<u>1,932,369</u>
<b>TOTAL</b>	<b>\$ <u>87,961,378</u></b>

Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements.

#### **ECONOMIC FACTORS AND OUTLOOK FOR FUTURE YEARS**

Although the focus of this Annual Report is on the economic condition of the City in the fiscal year that ended June 30, 2006, it is incumbent upon the City's financial management to provide in this report some discussion of current issues and their economic impact on FY 2006-07 and future years.

With a January 1, 2006 population of 174,565, Moreno Valley was recently named by the U.S. Census Bureau as the nation's 6<sup>th</sup> fastest growing city, and is the 2<sup>nd</sup> largest city in Riverside County. The fast growth

is attributed to a range of housing options: affordable single family homes, condominiums and executive homes, family oriented lifestyle, good schools, and quality-of-life amenities. The average price of a new home in Moreno Valley has risen to \$401,750, and the average value of an existing home is now \$366,000. The average family household income is now \$62,564.

The growth and prosperity now being realized by the City is attributed to a number of factors. One of those factors is the affordable cost of land in a city that is only half built-out, and occupies what is certainly one of the most scenic of the undeveloped areas in Western Riverside County. According to the Riverside County Assessor's FY 2006-07 Annual Report, the City of Moreno Valley 2006 assessed valuation grew by \$2.2 billion, or 23% over 2005. Between FY 2004-05 and FY 2005-06, assessed valuation grew by 25%, which is 48% growth in just two years. Since 2001, the City's assessed valuation has grown 83%. During the same period, the City's sales tax growth has averaged nearly 9%.

The current five-member City Council has been together without any change in office since January 1, 1997. Over this remarkable 10-year period, the Council has worked closely with the City's financial management team to implement numerous best practices. The City has long exercised careful financial planning during its lean years, nearly the entire decade of the 1990's. The decision to create strong contingencies reserves has helped the City to absorb revenue losses without any disruption of service levels. At June 30, 2006, the contingencies reserve was \$12.1 million, and equal to 15% of the ensuing year's General Fund operating budget. Because of the phenomenal growth in development services revenues, there has been a steady growth in the related expenditures to meet the residential, commercial and industrial demand, and at June 30, 2006, the City maintained a \$5.5 million Development Services Reserve (fund balance designation) to stabilize development service levels in the event of a downturn in the economy.

In 2005, Standard & Poor's acknowledged the City's financial stability as a result of its City Council leadership and management team efforts by upgrading the City's underlying credit rating from Moody's BAA1 to Standard & Poor's A-.

The City's electric utility began servicing customers in February 2004, and by fiscal year-end, was servicing nearly 250 new homes. Today, the total number of customers exceeds 4,200. The utility was established for two major reasons: economic development and the health and stability of the City's General Fund. The City will be able to offer incentives as a way to attract new businesses and jobs to Moreno Valley.

The City incorporated the "greenfield" concept of providing energy to its customers. The greenfield approach is aimed at serving future development in service areas that are now vacant. An estimated 30,000 new homes will be built in the next 20 years, accompanied by a continual influx of commercial and industrial development to provide jobs and services for new residents. By build out, the electrical utility will be serving areas that approximate a city of over 100,000, a significant service area. This substantial customer base will generate millions of dollars in revenues that can be used for economic development projects and cash flows to the general fund.

The City's electric utility has experienced extremely rapid growth, significantly exceeding growth expectations at the time of its formation. Conservative projections indicated that the utility would grow at about 750 meters per year, and it would be 2009 before it would approach 5,000 plus meters. The electric utility is presently serving 4,242 meters and will likely exceed the 5,000 mark before the end of summer 2007. A substation/switchyard project is already under construction, with temporary financing being provided by the General Fund based upon Council approval of a \$5.6 million line of credit. When the lease revenue bonds are issued in May, 2007 to finance the entire \$21.5 million project, the General Fund will be reimbursed for its advances.

In terms of economic development, a number of projects are in process and will have a significant and positive impact on the City's ability to attract new and retain existing businesses. The Sunnymead Boulevard property owners have approved the formation of a maintenance district, and construction plans are being prepared to begin a \$10.5 million improvement project in this commercial area, a key entryway to the City. City staff is working closely with General Growth, the owners of the Moreno Valley Mall, on a multi-phase upgrade and expansion project. A new state-of-the-art theatre complex has opened at the mall, and several new tenants are locating there. With so many new rooftops in Moreno Valley, a number of new neighborhood

shopping centers are being pursued. A new Wal-Mart Super Center, adjacent to the Moreno Valley Auto Mall and Highway 60 in the fast developing eastern portion of the city, opened in the spring of 2006. Staff is fast-tracking a 55-acre center where a Super Target and Kohl's are the major anchors, and discussions are in process with several other well-known retailers.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director/City Treasurer, City of Moreno Valley, 14177 Frederick Street, P.O. Box 88005, Moreno Valley, California 92552-0805.

**CITY OF MORENO VALLEY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments (note 3)	\$ 220,454,767	\$ 709,880	\$ 221,164,647
Receivables:			
Accounts	4,796,650	1,096,259	5,892,909
Notes and loans	8,286,925	-	8,286,925
Accrued interest	1,807,824	-	1,807,824
Prepaid costs	65,825	-	65,825
Inventories	21,657	-	21,657
Due from other governments	9,192,983	-	9,192,983
Advances to other funds (note 7)	1,559,520	(1,559,520)	-
Capital assets not being depreciated (note 5)	319,279,630	3,344,060	322,623,690
Capital assets, net of accumulated depreciation (note 5)	240,134,503	15,274,361	255,408,864
<b>Total assets</b>	<b>805,600,284</b>	<b>18,865,040</b>	<b>824,465,324</b>
<b>Liabilities:</b>			
Accounts payable	6,124,174	1,830,034	7,954,208
Accrued liabilities	2,944,224	14,913	2,959,137
Accrued interest	641,684	-	641,684
Unearned revenue	5,198,754	-	5,198,754
Deposits payable	99,959	2,114,725	2,214,684
Due to other governments	17,001,725	-	17,001,725
Accrued claims and judgments	3,233,000	-	3,233,000
Noncurrent liabilities (note 6):			
Due within one year	3,119,659	108,931	3,228,590
Due in more than one year	84,841,719	358,355	85,200,074
<b>Total liabilities</b>	<b>123,204,898</b>	<b>4,426,958</b>	<b>127,631,856</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	520,264,660	18,151,135	538,415,795
Restricted for:			
Community development projects	11,788,528	-	11,788,528
Public safety	12,471,009	-	12,471,009
Capital projects	41,096,454	-	41,096,454
Debt service	45,132,414	-	45,132,414
Permanent funds-nonexpendable	59,359	-	59,359
Unrestricted	51,582,962	(3,713,053)	47,869,909
<b>Total net assets</b>	<b>\$ 682,395,386</b>	<b>\$ 14,438,082</b>	<b>\$ 696,833,468</b>

See Notes to Basic Financial Statements.

**CITY OF MORENO VALLEY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2006**

	<b>Program Revenues</b>			
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Contributions and Grants</b>	<b>Capital Contributions and Grants</b>	
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 12,817,483	\$ 2,447,730	\$ 422,310	\$ -
Public safety	47,282,305	2,040,725	838,921	-
Community development	13,666,378	12,576,280	3,252,611	-
Community and cultural	15,999,800	10,067,509	133,325	-
Public works	10,273,707	20,523,959	2,985,031	24,442,306
Interest on long-term debt	8,079,935	-	-	-
<b>Total Governmental Activities</b>	<b><u>\$ 108,119,608</u></b>	<b><u>\$ 47,656,203</u></b>	<b><u>\$ 7,632,198</u></b>	<b><u>\$ 24,442,306</u></b>
 <b>Business-Type Activities:</b>				
Electric	3,673,509	4,981,707	-	6,463,580
<b>Total Business-Type Activities</b>	<b><u>3,673,509</u></b>	<b><u>4,981,707</u></b>	<b><u>-</u></b>	<b><u>6,463,580</u></b>
<b>Total Primary Government</b>	<b><u>\$ 111,793,117</u></b>	<b><u>\$ 52,637,910</u></b>	<b><u>\$ 7,632,198</u></b>	<b><u>\$ 30,905,886</u></b>

**General Revenues:**

Taxes:

Property taxes

Property taxes in lieu

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Utility users' tax

Other taxes

Franchise in lieu taxes

Documentary transfer tax

Intergovernmental-motor vehicle in lieu, unrestricted

Use of money and property

Miscellaneous

**Transfers (note 7)**

**Total General Revenues and Transfers**

Change in Net Assets

Net Assets at Beginning of Year, As Restated (note 10)

**Net Assets at End of Year**

**See Notes to Basic Financial Statements.**

**Net (Expenses) Revenues and  
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (9,947,443)	\$ -	\$ (9,947,443)
(44,402,659)	-	(44,402,659)
2,162,513	-	2,162,513
(5,798,966)	-	(5,798,966)
37,677,589	-	37,677,589
(8,079,935)	-	(8,079,935)
<b><u>\$ (28,388,901)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (28,388,901)</u></b>
-	7,771,778	7,771,778
-	7,771,778	7,771,778
<b><u>\$ (28,388,901)</u></b>	<b><u>\$ 7,771,778</u></b>	<b><u>\$ (20,617,123)</u></b>
18,001,808	-	18,001,808
12,068,070	-	12,068,070
582,307	-	582,307
12,275,626	-	12,275,626
4,099,859	-	4,099,859
1,240,764	-	1,240,764
13,811,740	-	13,811,740
5,448,829	-	5,448,829
42,788	-	42,788
1,548,205	-	1,548,205
11,899,563	-	11,899,563
6,959,412	-	6,959,412
1,820,976	-	1,820,976
<b><u>(1,257,370)</u></b>	<b><u>1,257,370</u></b>	<b><u>-</u></b>
<b><u>88,542,577</u></b>	<b><u>1,257,370</u></b>	<b><u>89,799,947</u></b>
60,153,676	9,029,148	69,182,824
622,241,710	5,408,934	627,650,644
<b><u>\$ 682,395,386</u></b>	<b><u>\$ 14,438,082</u></b>	<b><u>\$ 696,833,468</u></b>

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## MAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

### **General Fund**

This fund is used to account for all financial resources of the city traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

### **Fire Services Special Revenue Fund**

This fund is used to account for the fire operations and fire prevention functions.

### **CSD Zones Special Revenue Fund**

This group of funds is used to account for the revenues expended on the various Community Services District programs. There are eight Zones within the Community Services District providing services. Zone A-Parks and Recreation provides citywide park maintenance and recreation programming. Zone B-Residential Street Lighting provides residential subdivision street lighting. Zone C-Arterial Street Lighting provides citywide street lighting on major arterial streets. Zone D-Standard Landscaping provides landscaping for residential developments throughout the City. Zone E-Extensive Landscaping provides landscaping in major developments within the City. Zone L-Library Services provides library services to City residents. Zone M-Medians provides development and maintenance of median within the City. Community Facilities District (CFD) #1 provides maintenance of new neighborhood parks, trails and class 1 bikeways.

### **Development Impact Fees Special Revenue Fund**

This group of funds is used to account for the restricted fees collected to provide funding for capital improvements related to the impact of development on various City services. The City collects fees for the following: arterial streets, traffic signals, fire facilities, police facilities, parkland facilities, Quimby in-lieu of parks, recreation facilities, library facilities, city hall facilities, corporate yard facilities, interchange improvements, maintenance equipment, and animal shelter facilities.

### **Lease Revenue Bonds 2005 Capital Projects Fund**

This fund is used to account for the acquisition and construction of various capital improvements financed by the issuance of the Lease Revenue Bonds in July 2005.

### **Community Redevelopment Agency Capital Projects Fund**

This fund is used to account for the tax increment revenues collected by the Community Redevelopment Agency and used for administrative expenditures, agency debt service, capital projects within the redevelopment project area, and low and moderate income housing programs as required by law.

## CITY OF MORENO VALLEY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Special Revenue Funds			
	General	Fire Services	CSD Zones	Development Impact Fees
<b>Assets:</b>				
Pooled cash and investments	\$ 32,415,994	\$ 5,254,346	\$ 16,753,574	\$ 27,186,532
Receivables:				
Accounts	2,930,726	39,171	138,940	-
Notes and loans	-	-	-	-
Accrued interest	1,674,639	-	-	-
Prepaid costs	15,990	-	-	-
Due from other governments	3,772,498	599,740	1,274,521	-
Due from other funds (note 7)	10,780,920	-	-	2,136,607
Advances to other funds (note 7)	30,339,859	-	-	-
<b>Total Assets</b>	<b>\$ 81,930,626</b>	<b>\$ 5,893,257</b>	<b>\$ 18,167,035</b>	<b>\$ 29,323,139</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,528,386	\$ 22,113	\$ 824,384	\$ 335,872
Accrued liabilities	1,455,505	1,483	556,902	-
Due to other funds (note 7)	-	-	8,526,993	-
Deferred revenue	27,298,054	-	148,456	-
Unearned revenues	5,047,703	-	-	-
Advances from other funds (note 7)	-	-	-	-
Deposits payable	-	-	99,959	-
Due to other governments	8,871,873	4,550,254	6	-
<b>Total Liabilities</b>	<b>44,201,521</b>	<b>4,573,850</b>	<b>10,156,700</b>	<b>335,872</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	247,064	-	125,548	-
Reserved for prepaid and other assets	15,990	-	-	-
Reserved for debt service	-	-	-	-
Reserved for long-term receivables	-	-	-	-
Reserved for advances to other funds	5,945,940	-	-	-
Reserved for revolving line of credit	5,600,000	-	-	-
Unreserved:				
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Permanent funds	-	-	-	-
Designated for continuing appropriations	783,610	803,147	819,649	-
Designated for emergency equipment	-	208,987	-	-
Designated for capital improvement projects	6,607,767	-	4,181,411	-
Designated for development services	5,500,000	-	-	-
Designated for contingencies	12,129,608	-	1,041,231	-
Designated for equipment for building and safety	99,126	-	-	-
Designated for debt service contribution	-	-	-	1,316,972
Designated for post-employment retirement benefits	800,000	-	-	-
Undesignated	-	307,273	1,842,496	27,670,295
<b>Total Fund Balances</b>	<b>37,729,105</b>	<b>1,319,407</b>	<b>8,010,335</b>	<b>28,987,267</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 81,930,626</b>	<b>\$ 5,893,257</b>	<b>\$ 18,167,035</b>	<b>\$ 29,323,139</b>

See Notes to Basic Financial Statements.

**Capital Projects Funds**

<u>Lease Revenue Bonds 2005</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 44,999,807	\$ 17,229,967	\$ 51,145,721	194,985,941
-	264,891	1,391,227	4,764,955
-	6,372,376	1,914,549	8,286,925
-	64,562	68,623	1,807,824
-	-	18,939	34,929
-	294,734	3,251,490	9,192,983
-	4,500	-	12,922,027
-	317,999	580,657	31,238,515
<b>\$ 44,999,807</b>	<b>\$ 24,549,029</b>	<b>\$ 58,371,206</b>	<b>\$ 263,234,099</b>
\$ 11,892	\$ 1,068,014	\$ 1,661,688	\$ 5,452,349
5,497	95,925	562,656	2,677,968
-	4,373	4,390,661	12,922,027
-	64,562	65,466	27,576,538
-	-	151,051	5,198,754
-	29,660,996	17,999	29,678,995
-	-	-	99,959
-	1,359,781	2,219,811	17,001,725
<b>17,389</b>	<b>32,253,651</b>	<b>9,069,332</b>	<b>100,608,315</b>
6,964,359	9,673,860	8,049,077	25,059,908
-	-	18,939	34,929
-	-	15,420,069	15,420,069
-	5,975,158	1,914,549	7,889,707
-	317,999	580,657	6,844,596
-	-	-	5,600,000
-	-	3,543,556	3,543,556
-	-	3,298,526	3,298,526
-	-	949,518	949,518
-	-	59,359	59,359
31,760,160	-	14,270,605	48,437,171
-	-	-	208,987
-	-	1,197,019	11,986,197
-	-	-	5,500,000
-	-	-	13,170,839
-	-	-	99,126
-	-	-	1,316,972
-	-	-	800,000
6,257,899	(23,671,639)	-	12,406,324
<b>44,982,418</b>	<b>(7,704,622)</b>	<b>49,301,874</b>	<b>162,625,784</b>
<b>\$ 44,999,807</b>	<b>\$ 24,549,029</b>	<b>\$ 58,371,206</b>	<b>\$ 263,234,099</b>

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CITY OF MORENO VALLEY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Fund balances of governmental funds	\$ 162,625,784
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity (excludes internal service capital assets).	548,259,741
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term debt payable	(86,029,008)
Compensated absences	(1,932,370)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(641,688)
Certain items are reported as revenues in the statement of activities, but do not meet the revenue recognition criteria in order to be reported as revenues in the statement of revenues, expenditures and change in fund balances, and consequently, are reported as deferred revenue in the balance sheet of governmental funds.	27,576,538
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>32,536,389</u>
Net assets of governmental activities	<u>\$ 682,395,386</u>

**CITY OF MORENO VALLEY**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			
	General	Fire Services	CSD Zones	Development Impact Fees
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 5,382,176	\$ 5,448,829	\$ 3,502,773	\$ -
Property taxes in lieu	12,068,070	-	-	-
Utility taxes	13,811,740	-	-	-
Sales taxes	11,317,841	-	-	-
Other taxes	7,513,922	-	468,297	-
Licenses and permits	12,907,769	30,711	-	-
Intergovernmental	1,963,268	40,948	67,174	-
Charges for services	2,202,175	-	10,002,059	20,284,007
Use of money and property	3,527,482	56,613	211,127	714,066
Fines and forfeitures	1,188,461	-	16,712	-
Miscellaneous	1,408,410	1,787	143,502	-
<b>Total Revenues</b>	<b>73,291,314</b>	<b>5,578,888</b>	<b>14,411,644</b>	<b>20,998,073</b>
<b>Expenditures:</b>				
Current:				
General government	8,531,310	-	-	-
Public safety	32,074,739	9,925,938	-	-
Community development	7,800,308	-	-	-
Community and cultural	-	-	14,889,677	-
Public works	5,927,583	-	-	95,029
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total Expenditures</b>	<b>54,333,940</b>	<b>9,925,938</b>	<b>14,889,677</b>	<b>95,029</b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	18,957,374	(4,347,050)	(478,033)	20,903,044
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	-	-
Transfers in (note 7)	2,157,618	4,880,525	1,483,055	-
Transfers out (note 7)	(14,431,183)	-	(640,911)	(17,783,050)
Premium on debt issued	-	-	-	-
Discount on debt issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(12,273,565)</b>	<b>4,880,525</b>	<b>842,144</b>	<b>(17,783,050)</b>
Net Change in Fund Balances	6,683,809	533,475	364,111	3,119,994
Fund Balances, Beginning of Year, As Restated				
As Restated (note 10)	31,045,296	785,932	7,646,224	25,867,273
<b>Fund Balances, End of Year</b>	<b>\$ 37,729,105</b>	<b>\$ 1,319,407</b>	<b>\$ 8,010,335</b>	<b>\$ 28,987,267</b>

See Notes to Basic Financial Statements.

<u>Capital Projects Funds</u>			
<u>Lease Revenue Bonds 2005</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 8,321	\$ 14,342,099
-	-	-	12,068,070
-	-	-	13,811,740
-	540,858	416,928	12,275,627
-	7,014,278	1,625,963	16,622,460
-	-	102,707	13,041,187
-	722,124	15,780,696	18,574,210
-	-	724,807	33,213,048
1,350,128	544,674	795,015	7,199,105
-	-	-	1,205,173
-	133,636	964,985	2,652,320
<b><u>1,350,128</u></b>	<b><u>8,955,570</u></b>	<b><u>20,419,422</u></b>	<b><u>145,005,039</u></b>
-	1,164,534	1,027,530	10,723,374
-	-	942,222	42,942,899
-	13,881,333	3,462,505	25,144,146
-	-	-	14,889,677
316,465	-	14,923,846	21,262,923
-	416,927	2,479,658	2,896,585
-	1,900,411	5,433,950	7,334,361
439,093	-	225,545	664,638
<b><u>755,558</u></b>	<b><u>17,363,205</u></b>	<b><u>28,495,256</u></b>	<b><u>125,858,603</u></b>
<u>594,570</u>	<u>(8,407,635)</u>	<u>(8,075,834)</u>	<u>19,146,436</u>
42,640,107	-	5,564,893	48,205,000
2,800,000	-	25,879,845	37,201,043
(1,237,459)	(2,634,972)	(1,753,344)	(38,480,919)
570,840	-	-	570,840
(385,640)	-	-	(385,640)
<b><u>44,387,848</u></b>	<b><u>(2,634,972)</u></b>	<b><u>29,691,394</u></b>	<b><u>47,110,324</u></b>
44,982,418	(11,042,607)	21,615,560	66,256,760
-	3,337,985	27,686,314	96,369,024
<b><u>\$ 44,982,418</u></b>	<b><u>\$ (7,704,622)</u></b>	<b><u>\$ 49,301,874</u></b>	<b><u>\$ 162,625,784</u></b>

CITY OF MORENO VALLEY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ 66,256,760
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	22,509,870
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Proceeds of debt issued is an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.	(45,548,110)
Accrued interest for general long-term liabilities. This is the net change in accrued interest for the current period.	(266,141)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(407,712)
Certain items are reported as revenues in the statement of activities, but do not meet the revenue recognition criteria in order to be reported as revenues in the statement of revenues, expenditures and changes in fund balances.	14,143,451
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.	<u>3,465,558</u>
<b>Change in net assets of governmental activities</b>	<u>\$ 60,153,676</u>

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY  
 BUDGETARY COMPARISON STATEMENT  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 3,490,000	\$ 3,490,000	\$ 5,382,176	\$ 1,892,176
Property taxes in lieu	9,944,000	9,944,000	12,068,070	2,124,070
Utility taxes	13,392,000	13,392,000	13,811,740	419,740
Sales taxes	11,138,000	11,138,000	11,317,841	179,841
Other taxes	6,829,000	6,829,000	7,513,922	684,922
Licenses and permits	12,124,500	11,730,000	12,907,769	1,177,769
Intergovernmental	1,427,950	1,427,950	1,963,268	535,318
Charges for services	2,050,142	2,050,142	2,202,175	152,033
Use of money and property	3,100,000	3,100,000	3,527,482	427,482
Fines and forfeitures	893,400	893,400	1,188,461	295,061
Miscellaneous	485,000	485,000	1,408,410	923,410
<b>Total Revenues</b>	<b>64,873,992</b>	<b>64,479,492</b>	<b>73,291,314</b>	<b>8,811,822</b>
<b>Expenditures:</b>				
Current:				
General government:				
City Council	573,903	576,801	489,191	87,610
Administrative and Policy	1,047,862	1,051,362	738,572	312,790
City Clerk	742,938	1,142,938	854,732	288,206
Economic Development	848,903	1,336,427	451,229	885,198
City Attorney	1,003,089	1,003,089	823,442	179,647
Communications	447,789	462,289	417,010	45,279
Human Resources	1,030,480	1,195,480	1,000,828	194,652
Finance	3,551,317	3,574,209	3,355,068	219,141
Nondepartmental	517,072	612,069	401,238	210,831
<b>Total general government</b>	<b>9,763,353</b>	<b>10,954,664</b>	<b>8,531,310</b>	<b>2,423,354</b>
Public safety:				
Police	28,900,060	28,811,278	28,674,569	136,709
Animal Control	2,302,737	2,391,322	2,265,842	125,480
Volunteer/disaster services	583,655	583,655	597,874	(14,219)
Crossing Guards	569,154	576,754	536,454	40,300
<b>Total public safety</b>	<b>32,355,606</b>	<b>32,363,009</b>	<b>32,074,739</b>	<b>288,270</b>
Community development	8,991,608	9,413,055	7,800,308	1,612,747
Public works	6,671,536	7,078,970	5,927,583	1,151,387
<b>Total Expenditures</b>	<b>57,782,103</b>	<b>59,809,698</b>	<b>54,333,940</b>	<b>5,475,758</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,091,889	4,669,794	18,957,374	14,287,580
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,048,572	1,092,129	2,157,618	1,065,489
Transfers out	(12,002,938)	(15,155,216)	(14,431,183)	724,033
<b>Total Other Financing Sources (Uses)</b>	<b>(10,954,366)</b>	<b>(14,063,087)</b>	<b>(12,273,565)</b>	<b>1,789,522</b>
Net Change in Fund Balances	(3,862,477)	(9,393,293)	6,683,809	16,077,102
Fund Balances, Beginning of Year	31,045,296	31,045,296	31,045,296	-
<b>Fund Balances, End of Year</b>	<b>\$ 27,182,819</b>	<b>\$ 21,652,003</b>	<b>\$ 37,729,105</b>	<b>\$ 16,077,102</b>

See Notes to Basic Financial Statements.

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON STATEMENT**  
**FIRE SERVICES SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 4,520,000	\$ 4,520,000	\$ 5,448,829	\$ 928,829
Licenses and permits	20,000	20,000	30,711	10,711
Intergovernmental	47,500	47,500	40,948	(6,552)
Use of money and property	34,000	34,000	56,613	22,613
Miscellaneous	-	-	1,787	1,787
<b>Total Revenues</b>	<b>4,621,500</b>	<b>4,621,500</b>	<b>5,578,888</b>	<b>957,388</b>
<b>Expenditures:</b>				
Current:				
Public safety	10,571,509	11,331,566	9,925,938	1,405,628
<b>Total Expenditures</b>	<b>10,571,509</b>	<b>11,331,566</b>	<b>9,925,938</b>	<b>1,405,628</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,950,009)	(6,710,066)	(4,347,050)	2,363,016
<b>Other Financing Sources (Uses):</b>				
Transfers in	6,013,809	6,750,365	4,880,525	(1,869,840)
<b>Total Other Financing Sources (Uses)</b>	<b>6,013,809</b>	<b>6,750,365</b>	<b>4,880,525</b>	<b>(1,869,840)</b>
Net Change in Fund Balances	63,800	40,299	533,475	493,176
Fund Balances, Beginning of Year	785,932	785,932	785,932	-
<b>Fund Balances, End of Year</b>	<b>\$ 849,732</b>	<b>\$ 826,231</b>	<b>\$ 1,319,407</b>	<b>\$ 493,176</b>

See Notes to Basic Financial Statements.

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON STATEMENT**  
**CSD ZONES SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		(Negative)
<b>Revenues:</b>				
Property taxes	\$ 2,975,600	\$ 2,975,600	\$ 3,502,773	\$ 527,173
Other taxes	180,256	180,256	468,297	288,041
Intergovernmental	70,000	70,000	67,174	(2,826)
Charges for services	10,563,283	10,563,283	10,002,059	(561,224)
Use of money and property	215,260	215,260	211,127	(4,133)
Fines and forfeitures	53,000	53,000	16,712	(36,288)
Miscellaneous	48,314	48,314	143,502	95,188
<b>Total Revenues</b>	<u>14,105,713</u>	<u>14,105,713</u>	<u>14,411,644</u>	<u>305,931</u>
<b>Expenditures:</b>				
Current:				
General government	56,500	56,500	-	56,500
Community and cultural	18,116,836	18,116,836	14,889,677	3,227,159
<b>Total Expenditures</b>	<u>18,173,336</u>	<u>18,173,336</u>	<u>14,889,677</u>	<u>3,283,659</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,067,623)</u>	<u>(4,067,623)</u>	<u>(478,033)</u>	<u>3,589,590</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,724,938	1,724,938	1,483,055	(241,883)
Transfers out	-	-	(640,911)	(640,911)
<b>Total Other Financing Sources (Uses)</b>	<u>1,724,938</u>	<u>1,724,938</u>	<u>842,144</u>	<u>(882,794)</u>
Net Change in Fund Balances	(2,342,685)	(2,342,685)	364,111	2,706,796
Fund Balances, Beginning of Year	7,646,224	7,646,224	7,646,224	-
<b>Fund Balances, End of Year</b>	<u>\$ 5,303,539</u>	<u>\$ 5,303,539</u>	<u>\$ 8,010,335</u>	<u>\$ 2,706,796</u>

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY  
 BUDGETARY COMPARISON STATEMENT  
 DEVELOPMENT IMPACT FEES SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services	\$ 18,472,250	\$ 18,472,250	\$ 20,284,007	\$ 1,811,757
Use of money and property	<u>262,000</u>	<u>262,000</u>	<u>714,066</u>	<u>452,066</u>
<b>Total Revenues</b>	<u><b>18,734,250</b></u>	<u><b>18,734,250</b></u>	<u><b>20,998,073</b></u>	<u><b>2,263,823</b></u>
<b>Expenditures:</b>				
Current:				
Public works	<u>-</u>	<u>-</u>	<u>95,029</u>	<u>(95,029)</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u><b>95,029</b></u>	<u><b>(95,029)</b></u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,734,250</u>	<u>18,734,250</u>	<u>20,903,044</u>	<u>2,168,794</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(17,814,838)</u>	<u>(18,680,551)</u>	<u>(17,783,050)</u>	<u>897,501</u>
<b>Total Other Financing Sources (Uses)</b>	<u><b>(17,814,838)</b></u>	<u><b>(18,680,551)</b></u>	<u><b>(17,783,050)</b></u>	<u><b>897,501</b></u>
Net Change in Fund Balances	919,412	53,699	3,119,994	3,066,295
Fund Balances, Beginning of Year	<u>25,867,273</u>	<u>25,867,273</u>	<u>25,867,273</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><b>\$ 26,786,685</b></u>	<u><b>\$ 25,920,972</b></u>	<u><b>\$ 28,987,267</b></u>	<u><b>\$ 3,066,295</b></u>

See Notes to Basic Financial Statements.

## ENTERPRISE FUND

### Electric Fund

This fund is used to account for the operations of the City electric utility, with its basic purpose to purchase and distribute electricity to customers in the City's newly developed areas under the "Greenfield" concept. The City began serving its first customers in February 2004.

CITY OF MORENO VALLEY

STATEMENT OF FUND NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2006

	<u>Enterprise Fund - Electric</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>Assets:</b>		
Current:		
Cash and investments	\$ 709,880	\$ 25,468,826
Receivables:		
Accounts	1,096,259	31,695
Due from other funds (note 7)	-	210,645
Prepaid costs	-	30,896
Inventories	-	21,657
	<u>1,806,139</u>	<u>25,763,719</u>
<b>Total Current Assets</b>		
Noncurrent:		
Capital assets, net of accumulated depreciation (note 5)	<u>18,618,421</u>	<u>11,154,392</u>
	<u>18,618,421</u>	<u>11,154,392</u>
<b>Total Noncurrent Assets</b>		
	<u>\$ 20,424,560</u>	<u>\$ 36,918,111</u>
<b>Total Assets</b>		
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 1,830,034	\$ 671,821
Accrued liabilities	14,913	266,256
Deposits payable	2,114,725	-
Due to other funds (note 7)	-	210,645
	<u>3,959,672</u>	<u>1,148,722</u>
<b>Total Current Liabilities</b>		
Noncurrent:		
Advances from other funds	1,559,520	-
Self-insurance payable	-	3,233,000
Bonds, notes and loans payable	467,286	-
	<u>2,026,806</u>	<u>3,233,000</u>
<b>Total Noncurrent Liabilities</b>		
	<u>5,986,478</u>	<u>4,381,722</u>
<b>Total Liabilities</b>		
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	18,151,135	11,154,392
Unrestricted	<u>(3,713,053)</u>	<u>21,381,997</u>
	<u>14,438,082</u>	<u>32,536,389</u>
<b>Total Net Assets</b>		
	<u>\$ 20,424,560</u>	<u>\$ 36,918,111</u>
<b>Total Liabilities and Net Assets</b>		

See Notes to Basic Financial Statements.

**CITY OF MORENO VALLEY**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006**

	<b>Enterprise Fund - <u>Electric</u></b>	<b>Governmental Activities - Internal <u>Service Funds</u></b>
<b>Operating Revenues:</b>		
Sales and service charges	\$ 4,514,310	\$ 13,259,332
Miscellaneous	<u>37,684</u>	<u>382,714</u>
<b>Total Operating Revenues</b>	<b><u>4,551,994</u></b>	<b><u>13,642,046</u></b>
<b>Operating Expenses:</b>		
Electricity purchased	2,026,345	-
Services and supplies	1,143,504	-
Transmission	381,003	-
Cost of services	-	7,326,653
Self-insurance claims and charges	-	1,709,521
Depreciation	<u>103,388</u>	<u>1,162,820</u>
<b>Total Operation Expenses</b>	<b><u>3,654,240</u></b>	<b><u>10,198,994</u></b>
Operating Income (Loss)	<u>897,754</u>	<u>3,443,052</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest expense	(19,269)	-
Engineering plan check fees	<u>429,713</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>410,444</u>	<u>-</u>
<b>Income (Loss) Before Transfers</b>	<b>1,308,198</b>	<b>3,443,052</b>
Transfers in (note 7)	1,257,370	1,275,000
Transfers out (note 7)	-	(1,252,494)
Capital contributions	<u>6,463,580</u>	<u>-</u>
Changes in Net Assets	<u>9,029,148</u>	<u>3,465,558</u>
<b>Net Assets:</b>		
Beginning of Fiscal Year, As Restated	<u>5,408,934</u>	<u>29,070,831</u>
<b>Net assets at end of year</b>	<b><u>\$ 14,438,082</u></b>	<b><u>\$ 32,536,389</u></b>

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Enterprise Fund - Electric</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 3,787,526	\$ 13,665,504
Cash payments to suppliers for goods and services	(295,512)	(4,279,406)
Cash payments for claims	-	(1,465,521)
Cash payments to employees for services	(92,738)	(2,786,913)
Other operating revenues (expenses)	467,397	382,714
	<u>3,866,673</u>	<u>5,516,378</u>
<b>Net Cash Provided (Used) by Operating Activities</b>		
<b>Cash Flows from Noncapital Financing Activities:</b>		
Cash transfers from other funds	1,257,370	811,006
Cash transfers to other funds	-	(788,500)
Advances received from other funds	478,863	-
	<u>1,736,233</u>	<u>22,506</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>		
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(4,873,757)	(1,050,496)
Interest and fiscal charges on capital leases	(19,269)	-
	<u>(4,893,026)</u>	<u>(1,050,496)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>		
Net Increase (Decrease) in Cash and Investments	709,880	4,488,388
Cash and Cash Equivalents at Beginning of Year	-	20,980,438
	<u>709,880</u>	<u>25,468,826</u>
<b>Cash and Cash Equivalents at End of Year</b>		
<b>Reconciliation of Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 897,754	\$ 3,443,052
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	103,388	1,162,820
Engineering plan check fees	429,713	-
Decrease (increase) in accounts receivable	(726,784)	(23,088)
Decrease (increase) in prepaid costs	-	370
Decrease (increase) in inventories	-	7,840
Increase (decrease) in accounts payable	1,624,988	336,718
Increase (decrease) in accrued liabilities	14,913	21,580
Increase (decrease) in deposits payable	101,934	-
Increase (decrease) in due to other funds	(182,385)	(31,914)
Increase (decrease) in developer payable	1,603,152	-
Increase (decrease) in self-insurance payable	-	599,000
	<u>2,968,919</u>	<u>2,073,326</u>
<b>Total Adjustments</b>		
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 3,866,673</u>	<u>\$ 5,516,378</u>
<b>Schedule of Noncash Investing, Capital and Noncapital Financing Activities:</b>		
Capital contributions	\$ 6,463,580	\$ -

See Notes to Basic Financial Statements.

**CITY OF MORENO VALLEY**  
**STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

**Assets:**

Cash and investments (note 3)	\$ 16,205,181
Receivables (net of allowance for uncollectibles):	
Accounts	48,288
Interest	3,611
Due from other governments	31,004
Restricted assets:	
Cash and investments with fiscal agents	<u>900,857</u>
<b>Total Assets</b>	<b><u>\$ 17,188,941</u></b>

**Liabilities:**

Accounts payable	\$ 382,833
Accrued liabilities	2,354
Deposits	16,073,346
Payable to trustee	<u>730,408</u>
<b>Total Liabilities</b>	<b><u>\$ 17,188,941</u></b>

See Notes to Basic Financial Statements.

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**City of Moreno Valley**  
**Notes to Basic Financial Statements**  
**Year ended June 30, 2006**

**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of the Reporting Entity**

The City of Moreno Valley, California (the City), is located in the County of Riverside and was incorporated on December 3, 1984 under the general laws of the State of California. The City operates under an elected Council/City Manager form of government. The City's major operations include police and fire protection, public works, parks, recreation and certain social services and general administration services.

**Reporting Entity**

Accounting principles generally accepted in the United States of America require that these financial statements represent the City of Moreno Valley and its component units. A component unit is included in the primary government's financial statements if the governing body is substantively the same as that of the City or if the component unit provides services or other benefits almost entirely to the primary government. The component units discussed below are included in the City's reporting entity because of their operational significance or financial relationships with the City. These component units are controlled by common governing boards, which are substantively the same as the City's and are presented as blended component units for financial reporting purposes. The component units have the same fiscal year end as the City. For those that publish separate financial statements, those statements can be obtained from the City Clerk.

- The Redevelopment Agency of the City of Moreno Valley (the Agency) was established pursuant to the State of California Health and Safety Code, Section 53601, 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 Community Services District of the City of Moreno Valley (the District) was established pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982". Its purpose is to finance the acquisition and construction of certain major public capital infrastructure and improvements within the boundaries of the Community Facilities Districts.
- Community Facilities Districts No. 2 and No. 3 (Moreno Valley Auto Mall) and Towngate Community Facilities District No. 87-1 (Community Facilities Districts) were established pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982 for the purpose of financing the acquisition and construction of certain major public capital infrastructure and improvements within the boundaries of the Community Facilities Districts and are governed by City Council.
- Moreno Valley Public Facilities Financing Corporation (MVPFFC) and the Moreno Valley Public Financing Authority (MVPFA) are nonprofit public benefit corporations, formed for the purpose of providing public facility financing to the City. The Corporations' Boards of Directors are each composed of the five elected City Council members. Both Corporations may acquire, construct, rehabilitate, remodel, improve, install and finance or lease various facilities, land and equipment for the benefit of the City.

City of Moreno Valley  
Notes to Basic Financial Statements (Continued)

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

- Industrial Development Authority (the Authority) was established pursuant to the "California Industrial Development Financing Act" of the California Government Code. The Authority was established for the purpose of financing the construction, acquisition and equipment of certain land and facilities within the City of Moreno Valley and is governed by the City Council. The Authority did not report any activity for the current year.

The accounting policies of the City of Moreno Valley conform with generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

**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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. Certain indirect costs are included in the program expense reported for individual functions and activities. 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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, as are the proprietary fund and fiduciary fund financial statements. 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 90 days of the end of the current fiscal period (60 days for property taxes).

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

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

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.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Services Special Revenue Fund accounts for the City's portion of the structural fire tax revenue to be used for providing fire services.

The CSD Zones Special Revenue Fund accounts for the following:

- CSD Zone A - administration and maintenance of the parks and recreational facilities and programs.
- CSD Zone B - operations necessary to process and administer the residential street lighting program.
- CSD Zone C - operations necessary to process and administer the arterial street lighting program.
- CSD Zone D - operations necessary to provide landscaping in and around residential developments.
- CSD Zone E - operations necessary to provide high-service level landscape maintenance in and around specific major residential developments.
- CSD Zone L - operations necessary to process and administer the library service program.
- CSD Zone M - operations necessary to provide orderly development and maintenance of medians within the City of Moreno Valley designated as Zone M.
- CFD #1 - provides funding for maintenance of new neighborhood parks, trails and Class-I bikeways.

The Development Impact Fees Special Revenue Fund accounts for developer impact fees.

The Lease Revenue Bonds 2005 Capital Projects Fund accounts for the activities associated with the debt issued for the expansion of the City's public safety building, electric utility infrastructure, construction of a fire station and various public work projects.

**City of Moreno Valley**  
**Notes to Basic 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 Community Redevelopment Agency Capital Projects Fund accounts for the revenues received and expenditures made for redevelopment operations.

The City elected to report its enterprise fund as a major business-type fund.

- The Electric Fund accounts for the operations of the City's electric utility.

Additionally the government reports the following fund types:

Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Internal Service Funds account for financial transactions related to repair, replacement and maintenance of City-owned equipment, the City's self-insurance programs and the City's general information systems and telecommunications hardware and software. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

The Agency Funds are used to report resources held by the City in a purely custodial capacity, which includes assets held on behalf of customers and trustees for the Assessment Districts, TUMF and MSHCP Trust funds.

Private-sector standards of accounting and financial reporting issued prior to December 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

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

**d. Assets, Liabilities and Net Assets or Equity**

Deposits and Investments and Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component units, are reported at fair value except for investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The City's policy is generally to hold investments until maturity, or until market values equal or exceed cost. 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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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.

Inventory and Prepaid Items

Inventory in the Central Services Internal Service Fund is valued at cost using the first-in/first-out (FIFO) method. Inventory consists of expendable supplies held for consumption.

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. The fund balances in the governmental fund types have been reserved for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

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

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 City 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 is depreciated using the straight-line method over the following estimated useful lives:

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

Deferred Revenue and Unearned Revenue

The City reports deferred revenue in the fund-level statements. 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, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

The City reports unearned revenue in the fund-level statements and in the Statement of Net Assets. Unearned revenue arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City records the sick leave liability using benefits earned by employees at the balance sheet date that will result in termination payments rather than compensated absences. The City records the vacation leave liability using the dollar value of employees' rights to receive compensation attributable to services already rendered.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Secured property taxes are payable in two installments with December 10 the last day to pay the first installment of secured property taxes without penalty, and April 10 the last day to pay the second installment of secured property taxes without penalty. Unsecured personal property taxes are due in a single installment on August 31. The County of Riverside bills and collects the property taxes and remits them to the City in installments during the year. Property taxes received within 60 days after the City's fiscal year end are considered "measurable" and "available" and are accrued in the City's financial statements.

**e. 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 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 "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."

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

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

The details of this \$22,509,870 difference are as follows:

Capital outlay	\$ 13,268,928
Depreciation expense	(13,940,336)
Contributed assets	<u>23,181,278</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$22,509,870</u>

Another element of that reconciliation states that "repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Proceeds of debt issued is an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets". Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$45,548,108 difference are as follows:

Principal repayments	\$ 2,896,585
Debt issued	<u>(48,444,695)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$(45,548,110)</u>

**Note 2: Stewardship, Compliance and Accountability**

**a. Budgetary Information**

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

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.

The City's formal budgetary process begins at the operating program level. Departmental budgets are comprised of the various operating program budgets. Operating programs do not cross departmental lines. Individual fund budgets consist of the departmental budgets; departmental budgets may cross fund lines.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 2: Stewardship, Compliance and Accountability**

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 (legal level) for most funds is established by the amount of expenditures budgeted at the departmental and fund levels. Accordingly, the General Fund expenditures are displayed in the supplementary schedules at the department level and the Special Revenue, Debt Service and Capital Projects Funds expenditures are displayed at the function level. Management control is exercised at the line item level in each operating program. Management can transfer budgeted amounts between operating programs, provided that they are within the same fund and department

A budgetary comparison schedule was not presented for the Work Force Development Grant Special Revenue Fund, Community Redevelopment Agency, PW, Park Acquisition and Development, COPS Capital/Administration Capital Projects Funds, Celebration Park and Equestrian Trail Endowment Funds because an annual budget was not legally adopted for these funds.

**Note 3: Cash and Investments**

As of June 30, 2006, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 220,454,767
Business-type activities	709,880
Fiduciary funds	<u>16,205,181</u>
Total Cash and Investments	<u>\$ 237,369,828</u>

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

**Deposits**

At June 30, 2006, the carrying amount of the City's deposits was \$7,460,443 and the bank balance was \$10,084,638. The \$2,090,609 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

**Note 3: Cash and Investments (Continued)**

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by the California Agents of Depository are considered to be held for, and in the name of, the local government agency.

**Investments**

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

- U.S. Treasury Bills
- Government Agency Securities
- California State Local Agency Investment Fund (LAIF)
- Bonds, notes or other indebtedness of the State of California
- Bonds, notes or other indebtedness of local agencies in California
- Bankers Acceptances
- Commercial Paper
- Time Deposits (Non-Negotiable Certificates of Deposit)
- Repurchase Agreements
- Corporate Obligations
- Negotiable Certificates of Deposit
- Mortgage Backed Securities, Mortgage Pass-through Securities
- Asset Backed Securities
- Mutual Funds and Money Market Accounts
- Other Government Sponsored Investment Pools

**Investments Authorized by Debt Agreements**

The above investments do not address the investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

**Investments in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 3: Cash and Investments (Continued)**

**GASB Statement No. 31**

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**Credit Risk**

The City's investment policy limits investments in medium term notes (MTN's) to those rated in the top three categories by two of the three largest nationally recognized rating services at the time of purchase. As of June 30, 2006, the City's investment in medium term notes consisted of investments with Abbott Labs, Aetna Inc., American General Finance Corp., American Express Corp., Bear Stearns Co., General Electric Capital Corp., HSBC Finance Corp., Marshall Ilsley, MBNA, Suntrust Bank, Wal-Mart Stores and Wachovia Corp. At June 30, 2006, all MTN's were rated "A" or higher by Moody's. All securities were investment grade and legal under State and City law. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2006, the City's investments in external investment pools are unrated.

**Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2006, none of the City's deposits or investments were exposed to custodial credit risk.

**Concentration of Credit Risk**

The City's investment policy imposes restrictions on the maximum percentage it can invest in medium term notes and government agency securities with any one issuer. The limitation is 10% of the City's total investment portfolio for medium term notes and 50% for government agency securities. The City's investment policy does not impose restrictions on the maximum percentage it can invest in any other investment. As of June 30, 2006, the City is in compliance with the investment policy restriction.

The City has invested more than 5% of the total investment value with the following issuers:

Federal Farm Credit Bank	9.85%
Federal Home Loan Bank	23.38%
Federal Home Loan Mortgage Corp.	9.88%
Federal National Mortgage Assn.	10.25%

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

**Note 3: Cash and Investments (Continued)**

**Interest Rate Risk**

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment portfolio will not directly invest in securities maturing in more than five years. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2006, the City had the following investments and original maturities:

Investment Type	Original Maturities					Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Local Agency Investment Fund	\$ 48,595,568	\$ -	\$ -	\$ -	\$ -	\$ 48,595,568
Money Market Accounts	22,500	-	-	-	-	22,500
Commercial Paper	11,878,210	-	-	-	-	11,878,210
Negotiable Certificates of Deposit	972,490	-	-	-	-	972,490
Medium Term Notes	1,992,560	1,976,620	3,937,510	7,739,570	-	15,646,260
Federal Agricultural Mortgage Corp.	-	-	-	1,944,952	-	1,944,952
Federal Farm Credit Banks	2,984,070	2,960,630	7,721,870	3,890,940	-	17,557,510
Federal Home Loan Bank	6,965,330	4,950,556	22,881,053	6,865,320	-	41,662,259
Federal Home Loan Mortgage Corp.	988,400	2,948,320	9,752,100	3,918,450	-	17,607,270
Federal National Mortgage Association	3,970,000	3,925,010	6,413,745	3,963,120	-	18,271,875
Held by Bond Trustee:						
U.S. Treasury Bills	1,515,359	-	-	-	-	1,515,359
Money Market Accounts	5,433,416	-	-	-	-	5,433,416
Investment Agreements:						
ISIS Funding Corp	-	-	43,495,946	-	-	43,495,946
MBIA	-	-	-	-	2,992,703	2,992,703
Transamerica Life	-	-	-	853,000	1,052,337	1,905,337
Republic National Bank	-	-	407,730	-	-	407,730
	<u>\$ 85,317,903</u>	<u>\$16,761,136</u>	<u>\$94,609,954</u>	<u>\$29,175,352</u>	<u>\$4,045,040</u>	<u>\$229,909,385</u>

**Note 4: Notes and Loans Receivables**

Notes and loans receivables consist primarily of revolving home improvement loans and are due beyond one year.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 5: Capital Assets**

General government capital asset activity for the year ended June 30, 2006 follows:

	Balance July 1, 2005	Adjustments	Balance July 1, 2005 as Adjusted	Additions	Deletions	Transfers	Balance June 30, 2006
<b>Non-Depreciable Assets:</b>							
Land	\$ 302,857,844	\$ -	\$ 302,857,844	\$ 909,173	\$ -	\$ -	\$ 303,767,017
Construction-in-progress	21,051,221	-	21,051,221	10,953,322	(489,252)	(16,022,678)	15,512,613
Subtotal - Non-Depreciable Assets	<u>323,919,065</u>	<u>-</u>	<u>323,919,065</u>	<u>11,872,495</u>	<u>(489,252)</u>	<u>(16,022,678)</u>	<u>319,279,630</u>
<b>Depreciable Assets:</b>							
Buildings & Improvements	75,584,910	-	75,584,910	52,762	-	12,177,793	87,815,465
Machinery and equipment	8,412,719	-	8,412,719	811,051	(407,606)	352,837	9,169,011
Vehicles	7,429,727	-	7,429,727	806,007	(379,504)	-	7,856,230
Infrastructure	282,812,411	20,893,540	303,705,951	23,222,427	-	3,492,048	330,420,426
Subtotal - Depreciable Assets	<u>374,239,767</u>	<u>20,893,540</u>	<u>395,133,307</u>	<u>24,892,257</u>	<u>(787,110)</u>	<u>16,022,678</u>	<u>435,261,132</u>
Total Capital Assets	<u>698,158,832</u>	<u>20,893,540</u>	<u>719,052,372</u>	<u>36,764,752</u>	<u>(1,276,362)</u>	<u>-</u>	<u>754,540,762</u>
<b>Less Accumulated Depreciation for:</b>							
Buildings & Improvements	24,559,188	-	24,559,188	2,789,185	-	-	27,348,373
Machinery & equipment	5,544,207	-	5,544,207	1,028,934	(467,814)	-	6,105,327
Vehicles	4,368,117	-	4,368,117	688,194	(381,679)	-	4,674,632
Infrastructure	147,564,274	-	147,564,274	9,434,023	-	-	156,998,297
Total Accumulated Depreciation	<u>182,035,786</u>	<u>-</u>	<u>182,035,786</u>	<u>13,940,336</u>	<u>(849,493)</u>	<u>-</u>	<u>195,126,629</u>
Total Net Capital Assets	<u>\$ 516,123,046</u>	<u>\$ 20,893,540</u>	<u>\$ 537,016,586</u>	<u>\$ 22,824,416</u>	<u>\$ (426,869)</u>	<u>\$ -</u>	<u>\$ 559,414,133</u>

The adjustments are due to certain capital assets not being properly reported in the prior year.

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

<b>Governmental Activities:</b>	
General government	\$ 2,378,847
Public safety	5,317,952
Community development	1,803,637
Community and cultural	1,788,932
Public works	1,480,772
Internal service funds	<u>1,170,196</u>
Total	<u>\$13,940,336</u>

City of Moreno Valley  
Notes to Basic Financial Statements (Continued)

Note 5: Capital Assets (Continued)

Business-type capital asset activity for the year ended June 30, 2006 follows:

	Balance July 1, 2005	Adjustments	Balance July 1, 2005 as Adjusted	Additions	Deletions	Transfers	Balance June 30, 2006
Non-Depreciable Assets:							
Land	\$ -	\$ -	\$ -	\$ 1,287,459	\$ -	\$ -	\$ 1,287,459
Construction-in-progre	927,111	-	927,111	1,484,647	-	(355,158)	2,056,600
Subtotal - Non- Depreciable Assets	927,111	-	927,111	2,772,106	-	(355,158)	3,344,059
Depreciable Assets:							
Infrastructure	1,236,786	4,974,221	6,211,007	8,878,404	-	355,158	15,444,569
Subtotal - Depreciable Assets	1,236,786	4,974,221	6,211,007	13,852,625	-	355,158	15,444,569
Total Capital Assets	2,163,897	4,974,221	7,138,118	16,624,731	-	-	18,788,628
Less Accumulated Depreciation for:							
Infrastructure	66,819	-	66,819	103,388	-	-	170,207
Total Accumulated Depreciation	66,819	-	66,819	103,388	-	-	170,207
Total Net Capital Assets	<u>\$ 2,097,078</u>	<u>\$ 4,974,221</u>	<u>\$ 7,071,299</u>	<u>\$ 16,521,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,618,421</u>

Depreciation expense was charged to function as follows:

Electric \$103,388

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 6: Long-Term Debt**

**Changes in Long-Term Debt - Governmental Activities**

The following is a schedule of changes in long-term debt of the entity for the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Towngate Community Facilities District No. 87-1:					
Special Tax Refunding Bonds, Series A	\$ 10,975,000	\$ -	\$ 390,000	\$ 10,585,000	\$ 415,000
Special Tax Refunding Bonds, Series B	3,670,000	-	645,000	3,025,000	685,000
Special Tax Bonds, Improvement Area No. 1	4,165,000	-	110,000	4,055,000	120,000
Community Facilities District No. 3					
Auto Mall Special Tax Bonds	6,320,000	-	640,000	5,680,000	710,000
Moreno Valley Public Financing Corporation:					
Refunding Certificates of Participation, Series 1997	7,625,000	-	510,000	7,115,000	525,000
Moreno Valley Public Financial Authority:					
Lease Revenue Bonds, 1997	4,590,000	-	160,000	4,430,000	170,000
Lease Revenue Bonds, 2005	-	48,205,000	-	48,205,000	470,000
City:					
Compensated Absences	1,524,658	2,230,645	1,822,934	1,932,369	-
Child Development Portable Classrooms	139,730	-	24,658	115,072	24,659
Community Redevelopment Agency:					
Notes Payable, Price Company	2,462,131	-	-	2,462,131	-
Price Company Accrued Interest	534,038	239,695	416,927	356,806	-
	<u>\$ 42,005,557</u>	<u>\$ 50,675,340</u>	<u>\$ 4,719,519</u>	<u>\$ 87,961,378</u>	<u>\$ 3,119,659</u>

In prior years, the liability for compensated absences has been liquidated primarily from the General Fund.

Towngate Community Facilities District No. 87-1, Special Tax Refunding Bonds in the original issue amount of \$14,170,000 for Series A and \$8,530,000 for Series B were issued to refund certain outstanding bonds issued by Towngate Community Facilities District No. 87-1. The bonds mature in both serial and term fashion through December 1, 2021 and bear interest, payable semi-annually, at rates ranging from 3.00% to 6.50%. The bonds are subject to mandatory redemption at any time prior to maturity and subject to optional redemption beginning on December 1, 2002. The bonds are payable from and secured by a special tax levy against certain affected parcels within the District. Under an arrangement (Participation Agreement) involving the District, the City and the City's Redevelopment Agency, the required tax levy may be reduced in part by the reimbursable tax increment and utility reimbursements from the Agency.

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

**Note 6: Long-Term Debt (Continued)**

Towngate Community Facilities District No. 87-1, Improvement Area No. 1 Special Tax Bonds in the original issue amount of \$5,000,000 were issued to finance the acquisition and construction of certain major infrastructure facilities to serve property within Improvement Area No. 1. The bonds mature in both serial and term fashion through October 1, 2023 and bear interest, payable semiannually, at rates ranging from 4.250% to 7.125%. The bonds are subject to mandatory redemption at any time prior to maturity and subject to optional redemption beginning on October 1, 2000. The bonds are payable from and secured by a special tax levy against certain affected parcels within the District. Under an arrangement (a Cooperation and Reimbursement Agreement) involving the District, the City and the City's Redevelopment Agency, the required tax levy may be reduced in part by a reimbursable tax increment from the Agency to a maximum of 70.300% of required debt service.

Community Facilities District No. 3, Auto Mall Special Tax Bonds 2000, Refinancing in March 2000, the Community Facilities District No. 3 of the City of Moreno Valley issued Special Tax Bonds 2000 (Refinancing Bonds) in the amount of \$8,075,000 to refund on June 1, 2000 \$7,828,258 of outstanding Auto Mall Special Tax Bonds (Refunded Bonds). The Refinancing Bonds mature in serial and term fashion through September 2030 and bear interest payable semi-annually at rates ranging from 5.25% to 7.50%. The bonds are subject to optional and mandatory redemption prior to maturity beginning September 1, 2003. The bonds are payable from and secured by a special tax levy against parcels within the District. Under an arrangement (Owner Participation Agreement) involving the parcel owners, the District, the City and the City's Redevelopment Agency, the required tax levy is to be offset by available property tax increment from the Agency. Should available increment be insufficient to offset the levy, available project sales tax collected by the City will be used.

This refinancing has increased the aggregate debt service payments that were required on the Refunded Bonds by approximately \$3,100,000 and produced an economic loss (the excess of the present value of the new over old debt service payments) of approximately \$418,000. The refinancing was undertaken to cure a debt service payment default that had occurred on the now refunded bonds. Special tax delinquencies were the primary cause of the default.

Refunding Certificates of Participation (City Hall) Series 1997 in the original issue of \$10,955,000, with a variable interest rate due through 2016, were issued to advance refund \$10,180,000 of outstanding 1995 Certificates of Participation. The source of repayment for the Certificates is lease payments to be made by the Moreno Valley Public Facilities Financing Corporation whereby scheduled lease payments equal the amount of principal and interest due on the Certificates.

The City has the option to convert the variable rate certificates at any time. The Refunding Certificates are subject to purchase on the demand of the holder while they are outstanding at a variable rate upon seven days notice. Payment of these demand certificates shall be made from the proceeds of the resale of such certificates by the City's remarketing agent. Should there be insufficient funds from this source, funds will be made available from an irrevocable bank letter of credit. The letter of credit is valid through the date the Certificates bear interest at a fixed rate or May 1, 2007. Repayment of the letter of credit shall occur from any available funds with the trustee of the issue, including the scheduled lease payments of the City.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 6: Long-Term Debt (Continued)**

Lease Revenue Bonds 1997 in the original issue amount of \$5,300,000 were issued for the purpose of financing a portion of the cost of acquiring and constructing a public safety building for City use, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial and term fashion through November 1, 2022 and bear interest ranging from 4.15% to 5.50%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on November 1, 2007. The bonds are payable from lease, payments made by the City under a project lease dated November 1, 1997 between the City and the MVPFA. The lease payments are equal to the principal and interest on the bonds and are made by the City for the rental use of the public safety building financed by this bond issue. This issue is fully insured in the event of nonpayment by the City.

Lease Revenue Bonds 2005 in the original issue amount of \$48,205,000 were issued for the purpose of financing a portion of the cost of the expansion of the public safety building, electric utility infrastructure, construction of a fire station, various public works and redevelopment projects, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial and term fashion through November 1, 2035 and bear interest ranging from 3% to 4.375%. The bonds are subject to both optional and mandatory redemption beginning November 1, 2006. The bonds are payable from lease payments made by the City under a project lease dated May 1, 1997, between the City and the MVPFA. The lease payments are equal to the principal and interest on the bonds and are made by the City as rent for use of the Public Safety Building and the City Hall. This issue is fully insured in the event of nonpayment by the City.

**Compensated Absences**

At June 30, 2006, the amount of compensated absences liability which is not expected to be paid from available resources was \$1,932,369. Compensated absences are principally paid from the General Fund.

**Portable Classroom Loans**

In January 1999, the City entered into two agreements with the California Department of Education to finance the purchase and construction of two portable classrooms. Under the terms of the agreements, the City was granted two non-interest bearing loans totaling \$246,585. The loans are payable in monthly installments of \$2,055 beginning February 2002, for 10 years. The amount outstanding as of June 30, 2006 was \$115,072.

**Note Payable - Price Company**

The Redevelopment Agency has recorded a long-term payable in the amount of \$2,462,131 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. At June 30, 2006, accrued interest amounted to \$356,806.

**Conduit Debt**

The Moreno Valley Public Financing Authority issued \$5,548,000 Assisted Living Housing Revenue Bonds, Series 2000A. The bonds and interest thereon are limited obligations of the issuer, payable solely from the revenues and the trust estate, which are assigned and pledged to such purposes. Consequently, no liability is reported in these accompanying financial statements. The outstanding balance at June 30, 2006 was \$5,438,000.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 6: Long-Term Debt (Continued)**

The annual maturities and the annual debt service requirements to amortize the outstanding debt as of June 30, 2006 are as follows:

Year Ending June 30	Moreno Valley Public Financing Authority		Community Facilities Districts	
	Principal	Interest	Principal	Interest
Annual Maturities:				
2007	\$ 640,000	\$ 2,379,253	\$ 1,930,000	\$ 1,459,891
2008	730,000	2,355,596	2,080,000	1,328,438
2009	1,050,000	2,318,986	2,245,000	1,186,094
2010	1,100,000	2,267,396	2,420,000	1,032,069
2011	1,145,000	2,213,419	1,720,000	894,766
2012-2016	6,630,000	10,164,721	4,165,000	3,575,251
2017-2021	8,340,000	8,427,675	5,715,000	2,027,301
2022-2026	9,250,000	6,277,428	2,435,000	463,828
2027-2031	10,590,000	4,099,656	635,000	127,688
2032-2035	13,160,000	1,488,594	-	-
	<u>\$ 52,635,000</u>	<u>\$ 41,992,724</u>	<u>\$ 23,345,000</u>	<u>\$ 12,095,326</u>

Year Ending June 30	Moreno Valley Public Facilities Financing Corporation		City of Moreno Valley	
	Principal	Interest	Principal	Interest
Annual Maturities:				
2007	\$ 525,000	\$ 205,575	\$ 24,659	\$ -
2008	550,000	189,450	24,658	-
2009	570,000	172,650	24,658	-
2010	595,000	155,175	24,658	-
2011	615,000	137,025	16,439	-
2012-2016	3,480,000	386,100	-	-
2017-2021	780,000	11,700	-	-
	<u>\$7,115,000</u>	<u>\$1,257,675</u>	<u>\$ 115,072</u>	<u>\$ -</u>

The above schedule does not include the long-term debt for compensated absences or maturities for the Community Redevelopment Agency debt, as fixed maturities have not been established.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 6: Long-Term Debt (Continued)**

No-Commitment Debt

Assessment District No. 87-4, Limited Obligation Improvement Bonds, in the original issue amount of \$6,858,539, were issued for the purpose of acquiring infrastructure improvements and financing landscaping for one of the City's districts. The bonds mature in serial fashion through September 2, 2009 and bear interest, payable semi-annually, at rates ranging from 6.4% to 7.8%. The bonds are subject to optional redemption prior to maturity for denominations greater than \$5,000. The amount outstanding as of June 30, 2006 was \$2,265,000. The City is no way liable for repayment but is only acting as an agent for the property owners in collecting the assessments and forwarding the collections to bondholders.

Approximately 33% of taxes levied on the 589-acre Centerpointe development within Assessment District No. 87-4 are delinquent and foreclosure proceedings were conducted as required under the bond covenants.

Defeased Debt Outstanding

Refunding Certificates of Participation (Capital Projects) Series 1993 in the original issue of \$11,920,000 were issued to advance refund the Certificates of Participation previously executed and delivered to finance the acquisition, construction and improvement of certain public improvement projects in the outstanding aggregate principal amount of \$11,115,000. The Certificates mature through May 1, 2009 and bear interest, payable semi-annually, at rates ranging from 2.80% to 5.00%. The Certificates are subject to prepayment at any time prior to maturity. The Certificates are payable from lease payments made by the City to the Moreno Valley Public Facilities Financing Corporation whereby the City pays lease payments equal to the amount of principal and interest due for the repayment of the Certificates. The remaining outstanding balance of \$3,020,000 was defeased during 2005. This was accomplished by placing \$5,006,586 of available cash into an irrevocable escrow account. The amount placed in the escrow account was calculated to be sufficient, along with future interest earnings, to fund all future debt service payments on the defeased bonds. No new debt was issued to accomplish this defeasance. As of June 30, 2006, the outstanding balance was \$3,020,000.

Changes in Long-Term Debt - Business-Type Activities

The following is a schedule of changes in business-type activities long-term debt of the entity for the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Electrical Cabinets					
Capital Leases	\$ 281,767	\$ 260,000	\$ 74,481	\$ 467,286	\$ 108,931

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 6: Long-Term Debt (Continued)**

The annual maturities and the annual debt service requirements to amortize the outstanding debt as of June 30, 2006 were as follows:

Year Ending June 30,	Electrical Cabinets Capital Lease	
	Principal	Interest
2007	\$ 108,931	\$ 23,569
2008	117,367	17,633
2009	118,023	10,727
2010	122,965	4,657
	<u>\$ 467,286</u>	<u>\$ 56,586</u>

During the current and prior years, the City entered into nine separate lease purchase agreements to lease electrical cabinets in the amount of \$65,000 each. The term of each lease is for 60 months.

**Note 7: Interfund Receivables, Payables and Transfers**

**a. Due To/From Other Funds**

Funds	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General	\$ 10,780,920	\$ -
Special Revenue Funds:		
CSD Zones	-	8,526,993
Development Impact Fees	2,136,607	-
Capital Projects Funds:		
Community Redevelopment Agency	4,500	4,373
Nonmajor Governmental Funds	-	4,390,661
Internal Service Funds	210,645	210,645
Total	<u>\$ 13,132,672</u>	<u>\$ 13,132,672</u>

The City of Moreno Valley utilizes the State of California Local Agency Investment Fund (LAIF) as a short-term investment tool. At June 30, 2006, the General Fund LAIF account reached the LAIF threshold and as an alternative for investing, the remaining funds were loaned to the CSD Zone A Parks Fund and the Community Redevelopment Agency Capital Projects Fund for investment into LAIF. The amounts of the loans outstanding at June 30, 2006 were \$8,526,993 and \$4,373, respectively.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 7: Interfund Receivables, Payables and Transfers**

**a. Due To/From Other Funds (Continued)**

The General Fund has made short-term loans to the following funds to eliminate negative cash balances:

Emergency Preparedness Fund	\$ 26,291
OTS Police Grant	28,794
CDBG	4,041
Child Care Grant	311,069
Buffer Zone Protection Plan	31,009
Towngate Refunding Bond Fund	181,660
Auto mall Special Tax Bonds Fund	1,260,653
Towngate Capital/Administration	331,212
Centerpointe 87-4 Capital/Administration	63,488
Warner Ranch Capital/Development Projects	11,337
	<u>\$ 2,249,554</u>

The Arterial Streets Development Impact Fee Fund made a short-term loan of \$402,000 to the TUMF Capital Projects Fund to fund budgeted capital projects. The loan will be repaid when the TUMF reimbursement is received. The Arterial Streets Development Impact Fee Fund has also made a short-term loan of \$1,534,607 to the TUMF Capital Projects Fund to eliminate the negative cash balance.

The Parkland Facilities Development Impact Fee Fund made a temporary loan of \$200,000 to the Parks and Recreation Capital Projects Fund for the installation of lighting at Valley Skate Park at March Field.

The Equipment Replacement Reserve Fund made a short-term loan of \$210,645 to the Equipment Maintenance Fund to eliminate the negative cash balance.

The Community Redevelopment Agency Capital Projects Fund made a loan to the Warner Ranch Capital/Development Projects Fund to finance Warner Ranch alleyway improvements. The total outstanding loan is \$22,499 of which the current portion is \$4,500 and the long-term portion is \$17,999. The loan was made in 1995-1996. Repayments are made annually and will be complete in 2010-2011.3

**b. Advances To/From Other Funds**

Funds	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General	\$ 30,339,859	\$ -
Capital Projects Funds:		
Community Redevelopment Agency	317,999	29,660,996
Nonmajor Governmental Funds	580,657	17,999
Major Proprietary Funds:		
Electric	-	1,559,520
Total	<u>\$ 31,238,515</u>	<u>\$ 31,238,515</u>

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

**b. Advances To/From Other Funds (Continued)**

The long-term payable to the City of Moreno Valley from the Redevelopment Agency Capital Projects Fund totaling \$267,077 represents monies borrowed in prior fiscal years by the Redevelopment Agency to finance redevelopment activities. Repayment of the long-term payable will be made when the tax increment revenue becomes available. The Community Redevelopment Agency Capital Projects Fund has advanced \$17,999 to the Warner Ranch Capital/Development Projects Fund to finance Warner Ranch alleyway improvements. The loan was made in 1995-1996. Repayments are made annually and will be complete in 2010-2011. The Community Redevelopment Agency Capital Projects Fund has also advanced \$300,000 to the Electric Utility Fund for construction of electrical infrastructure. The loan has a ten year term and a five percent annual interest rate.

The General Fund has loaned \$678,863 to the Electric Fund for start-up costs. The loan will be repaid when revenue becomes available.

The City purchased the Towngate Regional Mall - Department Store Parcel Acquisition Notes for \$5,000,000. The notes, totaling \$13,000,000, originate from a participation agreement (as amended) whereby the Community Redevelopment Agency acquired certain parcels within the mall for subsequent transfer to major tenants. The notes bear interest at 7.25% and are payable solely from available site-generated property tax increment and up to 50% of site-generated sales tax. Furthermore, the Community Redevelopment Agency has 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, 2006, accrued interest amounts to \$3,799,618.

The Community Redevelopment Agency purchased improved property from the City – the Conference and Recreation Center. The purchase price was \$14,203,946. The loan note is \$11,503,946 after the initial payment of \$2,700,000. The term is 20 years with 12% simple interest. The Agency will make interest only annual payments with a balloon payment due at the end of the term.

The Special Districts Administration Fund has loaned \$580,657 to the Electric Fund for start-up costs. The loan will be repaid when revenue becomes available.

**c. Interfund Transfers**

Funds	Transfers In	Transfers Out
Major Governmental Funds:		
General	\$ 2,157,618	\$ 14,431,183
Special Revenue Funds:		
Fire Services	4,880,525	-
CSD Zones	1,483,055	640,911
Development Impact Fees	-	17,783,050
Capital Projects Funds:		
Lease Revenue Bonds 2005	2,800,000	1,237,459
Community Redevelopment Agency	-	2,634,972
Nonmajor Governmental Funds	25,879,845	1,753,344
Major Proprietary Funds:		
Electric	1,257,370	-
Internal Service Funds	1,275,000	1,252,494
Total	<u>\$ 39,733,413</u>	<u>\$ 39,733,413</u>

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

**c. Interfund Transfers (Continued)**

During the 2005-2006 budget process and subsequently, the General Fund was committed to supporting several capital projects. Transfers to the following funds were made for these commitments:

City Hall Capital/Administration Fund:	
Civic Center Site Improvement	\$ 200,000
HVAC Upgrades at various City sites	100,000
Veteran's Memorial	550,000
Fire Services Capital Fund:	
Remodel Fire Station #48	\$ 400,000
Paramedic Program Start-Up Costs	200,000
Buy Out of Fire Station #6	443,000
Parks and Recreation Capital Fund:	
Lighting at Valley Skate Park	\$ 166,759
2005 Lease Revenue Bonds Capital/Administration Fund:	
Fire Station #58	\$ 2,800,000
Technology Services Internal Revenue Fund:	
Enterprise Permitting and Core System	\$ 1,000,000
Storm Drain System Management Software	50,000
False Alarm Citations Billing/Tracking Software	30,000
City Hall Facility Internal Revenue Fund:	
City Hall Reconfiguration and Improvement	\$ 150,000

The General Fund transferred \$175,844 to the Universal Hiring Grant Fund. The amount represents the required matching funds for year three of the three-year grant accepted by the City Council.

The General Fund transferred \$1,140 to the CLEEP Grant Fund to eliminate the negative cash balance remaining when the grant was completed.

The General Fund transferred a total of \$7,209,269 to several funds to provide subsidies to cover the operating deficits. The transfer amounts by fund are as follows:

The General Fund transferred \$163,389 to the CSD Zone M Median Fund for median maintenance. The principal and interest payments for 2005-2006 in the Public Safety Bond Fund totaled \$400,283. The General Fund transferred \$250,283 and the Community Redevelopment Agency Tax Increment Fund transferred \$150,000 to the Public Safety Bond Fund for these debt service payments.

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

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

**c. Interfund Transfers (Continued)**

Fire Services Operations Fund	\$ 4,865,340
State Gasoline Tax Fund	800,000
CSD Zone L Library Services Fund	698,058
Public Education/Government Access Fund	354,431
Storm Water Maintenance Fund	193,639
SLESF AB 3229 Grant Fund	187,801
Storm Water Management Fund	110,000

The General Fund transferred \$257,500 to the CSD Zone A Parks and Recreation Fund in accordance with the Conference and Recreation Center financing agreement. The General Fund also transferred \$4,000 to the CSD Zone A Parks and Recreation Fund to provide support to two non-profit groups designated as "Official City Groups."

The General Fund transferred \$480,000 to the Disaster Fund to subsidize the Heacock Channel storm damage after the City learned that FEMA had denied the claim.

The Measure A Fund transferred \$100,000 to the Article 3 Transportation Fund to subsidize capital projects.

The CSD Zone L Library Services Fund made two transfers to the City Hall Capital/Administration Fund: \$260,000 to replace the Library roof and \$255,000 to improve the Library facility. The Equipment Replacement Reserve Fund transferred \$150,000 to the CSD Zone L Library Services Fund as a source for the Library roof replacement.

The Beverage Container Recycling Fund transferred \$14,654 to the State Gasoline Tax Fund for roadside clean-up.

CSD Zone A Parks Fund transferred \$86,000 to the Parks and Recreation Capital Projects Fund for various maintenance projects at several park sites.

CSD Zone B Street Lighting Fund and CSD Zone C Arterial Lighting Fund transferred \$17,216 and \$2,695 respectively to the Electric Fund for street lights.

CSD Zone E Extended Landscaping Fund transferred \$20,000 to the CFD #1 Fund for that fund's share of parcel fees collected.

During the 2005-2006 budget process and subsequently, the Arterial Streets Development Impact Fee Fund was committed to supporting several capital projects. Transfers totaling \$3,705,700 were made to the Development Impact Fee Arterial Streets Capital Projects Fund for these commitments:

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

**c. Interfund Transfers (Continued)**

Arterial Streets Capital Projects

Perris Boulevard Widening Project	\$ 5,000
Kitching Street Extension	930,000
Alessandro Boulevard and Grant Street Improvements	100,000
Heacock Street Project from Iris Avenue to Gentian Avenue	150,000
Iris Avenue Project from Heacock Street to Indian Avenue	110,000
Iris Avenue Project from Indian Street to Perris Boulevard	110,000
Iris Avenue Project East of Perris Boulevard	280,000
Ironwood Avenue Project from Day Street to Barclay Drive	150,000
Lasselle Street Project from Cactus Avenue to Alessandro Avenue	150,000
Nason Street Project from Cactus Avenue to Route 60	150,000
Frederick Street Median from Calle San Juan de Los Lagos to Alessandro	295,000
Graham Street Bridge Project	150,000

During the 2005-2006 budget process the Traffic Signals Development Impact Fee Fund was committed to supporting several capital projects. Transfers totaling \$1,180,000 were made to the Development Impact Fee Traffic Signal Capital Projects Fund for these commitments:

Traffic Signals at Day Street and Dracaea Avenue	\$ 200,000
Traffic Signals at Kitching Street and Cactus Avenue	200,000
Traffic Signals at the Route 60 and Moreno Beach Interchange	330,000
Perris Boulevard Traffic Signal Relocation	35,000
Traffic Signals at Alessandro Boulevard and Grant Street	15,000
Developer Traffic Signal Projects	400,000

The Traffic Signals Development Impact Fee Fund transferred \$120,000 to the General Fund for the purchase of a bucket truck for traffic signal maintenance.

The Arterial Streets Development Impact Fee Fund and the Traffic Signals Development Impact Fee Fund transferred \$2,500 (\$2,005 and \$495, respectively) to the COP 93 Debt Service Fund to support the Fund's annual trustee fees.

The Arterial Streets Development Impact Fee Fund transferred \$669,665 to the 2005 Lease Revenue Bonds Debt Service Fund for debt service for the fiscal year. Additionally, the following Development Impact Fee Funds transferred a total of \$3,754,861 to the 2005 Lease Revenue Bonds Debt Service Fund to implement a two-year debt service reserve. City Council directed the creation of this reserve. The transfer amounts by fund are as follows:

Arterial Streets Development Impact Fee Fund	\$ 2,196,334
Fire Facilities Development Impact Fee Fund	513,765
Police Facilities Development Impact Fee Fund	1,044,762

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

**c. Interfund Transfers (Continued)**

The Parkland Facilities Development Impact Fee Fund transferred \$70,000 to the CSD Zone A Parks and Recreation Fund for the purchase of an ADA compliant comfort station and screen canopy. The Parkland Facilities Development Impact Fee Fund transferred a total of \$4,390,013 to the Park and Recreation Capital Projects Fund for these commitments:

Community Park Renovation	\$ 2,600,000
College Park Phase II Amphitheater	1,000,000
Indian Middle School Ball Field Lighting	599,583
Parks and Recreation Master Plan	120,000
Salas Field Fence Improvement	34,450
Fencing Along Old Lake Road	35,980

The Quimby In-Lieu Park Fees Fund transferred \$22,500 to the Parks and Recreation Capital Projects Fund for the Lasselle Sports Park Parking Lot project.

The Recreation Center Development Impact Fee Fund transferred \$575,000 to the General Fund for a budgeted reimbursement to the General Fund Capital Reserve. The Recreation Center Development Impact Fee Fund also transferred \$650,000 to the City Hall Capital/Administration Fund for the Conference and Recreation Center project.

The Libraries Development Impact Fee Fund transferred \$1,516,311 to the City Hall Capital/Administration Fund for the Main Library project.

The City Hall Development Impact Fee Fund transferred \$150,000 to the City Hall Capital/Administration Fund for the City Hall Space Study.

The Corporate Yard Development Impact Fee Fund transferred \$1,510,000 to the City Hall Capital/ Administration Fund for the Corporate Yard Facility – Phase I project.

The following Development Impact Fee Funds transferred a total of \$16,500 to the General Fund to support the updated development impact fee study. The transfer amounts by fund are as follows:

Arterial Streets Development Impact Fee Fund	\$1,650
Traffic Signals Development Impact Fee Fund	1,650
Fire Facilities Development Impact Fee Fund	1,650
Police Facilities Development Impact Fee Fund	1,650
Parkland Facilities Development Impact Fee Fund	1,650
Quimby In-Lieu Park Fees Fund	1,650
Recreation Center Development Impact Fee Fund	1,650
Libraries Development Impact Fee Fund	1,650
City Hall Development Impact Fee Fund	1,650
Corporate Yard Development Impact Fee Fund	1,650

The Towngate Improvement Bonds Debt Service Fund transferred \$33,500 to the Towngate Improvement Bonds Capital/Administration Fund for a budgeted commitment.

The Towngate Refunding Bonds Debt Service Fund transferred \$122,250 to the Towngate Refunding Bonds Capital/Administration Fund for a budgeted commitment.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

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

**c. Interfund Transfers (Continued)**

The Auto Mall Special Tax Bonds Debt Service Fund transferred \$148,940 to the Auto Mall Capital/Administration Fund for a budgeted commitment.

The City Hall Capital/Administration Fund returned a previous fiscal year transfer of \$550,000 for the Veteran's Memorial Project to the Parkland Facilities Development Impact Fee Fund. The project is being funded by the General Fund.

The Fire Services Capital Projects Fund returned a previous fiscal year transfer of \$1,334,000 to the General Fund. The project will be undertaken in the 2005 Lease Revenue Bonds Capital/Administration Fund.

The Parks and Recreation Capital Projects Fund reimbursed \$200,000 to the General Fund for the defunct March Field Soccer Fields Project.

The 2005 Lease Revenue Bonds Capital/Administration Fund transferred \$1,237,459 to the Electric Utility Fund to reimburse the capital project expenditures made in that fund but financed by the 2005 Lease Revenue Bonds.

The City Hall Facility Fund transferred \$788,500 to the City Hall COPs Series 97 Debt Service Fund to fund the appropriated budget.

The Equipment Replacement Reserve Fund transferred a total of \$313,993 to several funds for the replacement of various equipments. The amounts transferred to these funds are as follows:

General Fund	\$ 112,118
Gas Tax Fund	21,582
Fire Services Fund	15,185
City Hall Facility Fund	45,000
CSD Zone A Parks and Recreation Fund	120,108

The Community Redevelopment Agency Tax Increment Fund transferred \$2,056,146 to the Towngate Refunding Bond Fund, \$355,125 to the 2005 Lease Revenue Bond Fund, and \$73,700 to the Auto mall Special Tax Bonds Fund to fund debt service obligations.

**Note 8: Employee Pension Plan**

**Plan Description**

The City's defined benefit pension plan, Public Employees Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, are established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 8: Employee Pension Plan (Continued)**

Funding Policy

Active plan members in PERS are required to contribute 7.00% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2005-2006 was 10.09%. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2005-2006, the City's annual pension cost was \$2,271,059. The City also contributed \$1,538,167 on behalf of the employees for the employee contribution. The required contribution for the fiscal year 2005-2006 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: a) 7.75% investment rate of return (net of administrative expenses), b) projected salary increases for employees that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members, and c) 3.25% cost-of-living adjustment. Both a) and b) include an inflation component of 3.00%. The actuarial value of PERS assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two- to five-year period depending on the size of investment gains and/or losses. The PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006 was 30 years.

<u>Ended June 30,</u>	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Pension Obligation</u>
2004	\$ 1,154,079	100%	-
2005	1,228,304	100%	-
2006	2,271,059	100%	-

Required Supplementary Information – Funded Status of Plan

Latest Information Available

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value Of Assets	(Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Payroll
06/30/02	\$28,597,500	\$30,564,460	\$(1,966,960)	106.88%	\$14,313,573	(13.742)%
06/30/03	35,236,196	32,434,425	2,801,771	92.0 %	16,033,586	17.474 %
06/30/04	41,276,067	36,098,898	5,177,169	87.5 %	17,552,133	29.496 %

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

**Note 9: Post-Retirement Health Care**

In addition to providing pension benefits, the City provides a portion of certain health care for retired employees. In accordance with City policy, substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year. The City recognizes the cost of providing those benefits by expensing the annual insurance premiums. The cost of providing those benefits for 43 retirees is \$80,642.

**Note 10: Prior Period Adjustment**

- (a) During the year ended June 30, 2006, and as a direct result of the quickly expanded residential, commercial and industrial development that occurred within the City of Moreno Valley between July 1, 2003 and June 30, 2005, the City completed an inventory of all infrastructure, similar to the extensive effort in 2001 to record infrastructure in accordance with GASB #34. The adjustment to the City's net assets is related to unreported developer-contributed infrastructure over this three-year period.
- (b) During the year ended June 30, 2006, the City discovered that interest paid by the Community Redevelopment Agency on a City loan in FY 2005 had not been applied to the loan to reduce the accrued interest payable. To correct this oversight, an adjustment was made to increase the Community Redevelopment Agency's net assets at the beginning of the fiscal year.
- (c) During the year ended June 30, 2006, the City discovered that start-up expenses of the Electric Utility, which had been paid during prior fiscal years by Special Districts Administration, a fund under the control of the Community Services District, resulted in an unrecorded loan to the Electric Utility enterprise fund. To correct this oversight, an adjustment recording the loan was made in both funds.

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

**Note 10: Prior Period Adjustment (Continued)**

Government-wide financial statements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets at beginning of year as previously reported	\$ 600,026,259	\$ 1,015,370
(a) Adjustment to record infrastructure	20,893,540	4,974,221
(b) Adjustment to record interest on advances credited to prior year	741,254	-
(c) Adjustment to record loan not previously recorded	<u>580,657</u>	<u>(580,657)</u>
Net assets at beginning of year as restated	<u>\$ 622,241,710</u>	<u>\$ 5,408,934</u>

Fund financial statements:

	<u>Community Redevelopment Agency</u>	<u>Special Districts Administration</u>
<u>Governmental funds:</u>		
Net assets at beginning of year as previously reported	\$ 2,596,731	\$ 2,265,275
(b) Adjustment to record interest on advances credited to prior year	741,254	-
(c) Adjustment to record loan not previously recorded	<u>-</u>	<u>580,657</u>
Net assets at beginning of year as restated	<u>\$ 3,337,985</u>	<u>\$ 2,845,932</u>

Proprietary funds:

	<u>Electric Utility</u>
Net assets at beginning of year as previously reported	\$ 1,015,370
(a) Adjustment to record infrastructure	4,974,221
(c) Adjustment to record loan not previously recorded	<u>(580,657)</u>
Net assets at beginning of year as restated	<u>\$ 5,408,934</u>

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 11: Expenditures In Excess of Appropriation**

Excess of expenditures over appropriations in departments of individual funds are as follows:

	Final		
	<u>Budget</u>	<u>Expenditure</u>	<u>Excess</u>
Law Enforcement Special Revenue Fund:			
General government	\$197,646	\$233,293	\$35,647
Public works	106,959	112,712	5,753
Youthbuild Grant Special Revenue Fund:			
General government	2,537	56,512	53,975
Towngate Capital/Administration Capital Projects Fund:			
Public works	-	155,527	155,527
Centerpointe Capital/Administration Capital Projects Fund:			
Public works	55,047	55,413	366
Warner Ranch Capital/Administration Capital Projects Fund:			
Public works	7,188	13,673	6,485
OPA Sales Tax Agreements Debt Service Fund:			
Interest and fiscal charges	415,000	416,932	1,932
Towngate Refunding Debt Service Fund:			
Interest and fiscal charges	831,356	970,955	139,599
City Hall COPs Series 1997 Debt Service Fund:			
Interest and fiscal charges	278,500	332,786	54,286
Auto Mall Special Tax Bonds Debt Service Fund:			
Interest and fiscal charges	1,414,225	1,418,404	4,179

**Note 12: Fund Deficits**

The following funds contained a deficit fund balance as of June 30, 2006:

Non-Major Governmental Funds

Special Revenue Fund:	
NPDES CSA	\$45,642
Housing Assistance Programs	4,775
Child Care Grant	335,432
Beverage Container Recycling	545
Emergency Management Preparedness Grant	65,241
Capital Projects Fund:	
Towngate Capital/Administration	288,526
Centerpointe Capital/Administration	63,488
Warner Ranch Capital/Development	32,795
TUMF	1,223,825

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

**Note 13: Commitments and Contingencies**

Riverside County Agreement

During December 1987, the City of Moreno Valley and the Community Redevelopment Agency (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.

Beginning in 2004-2005 the Agency's tax increment exceeded \$7 million. The County deducts its proportionate share from the Agency's remittances. In 2005-2006 an additional amount of \$1,350,784 was not remitted to the County and has been included in Due to Other Governments.

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.

Community Facilities District No. 3 Agreement

In conjunction with the issue of the Moreno Valley Auto Mall Special Tax Bonds Series 2000 (Auto Mall Refinancing), the Community Redevelopment Agency and the City are parties to an owner-participation agreement which provides that the Agency will transmit to the Community Facilities District No. 3 (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 \$1,065,477.

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

**Note 13: Commitments and Contingencies (Continued)**

Community Facilities District No. 87-1 Agreement

In connection with the issuance of the Community Facilities District No. 87-1 (CFD) Bonds, Series A and B, the City of Moreno Valley and the Community Redevelopment Agency entered into an owner participation agreement whereby the Agency has committed tax increment for the payment of debt service requirements for these Bonds.

Other Agreements

The Community Redevelopment Agency entered into an owner participation agreement in February 2000 to fund, on a reimbursement basis, the cost of public infrastructure improvements required for a proposed 49,000-square-foot manufacturing facility. The Agency's commitment is not to exceed \$325,000 and is payable incrementally over five years upon completion of the improvements and the manufacturing facility.

On May 10, 2005, the Community Redevelopment Agency and the Community Services District entered into a lease agreement for the Conference and Recreation Center. The Community Services District occupied the building during June 2005 although construction was still in progress. Upon completion of construction during fiscal year 2005-2006 the lease agreement became effective for a base rent of \$1.00 per month. The Community Services District has responsibility for facility maintenance and provides programming that serves the residents of the Project Area.

Self-Insurance Payable

The City 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 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 City 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.

The fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year-end. The accruals are in the amounts of \$1,805,000 and \$1,428,000 for the workers' compensation claims and general liability claims, respectively, for a total of \$3,233,000. Of these amounts, the current year's adjustment is \$1,182,294.

**City of Moreno Valley  
Notes to Basic Financial Statements (Continued)**

**Note 13: Commitments and Contingencies (Continued)**

A reconciliation of changes in aggregate liabilities for claims for the current fiscal year and the prior fiscal year is as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Amount of accrued claims at June 30, 2004	\$ 998,049	\$ 1,625,818	\$ 2,623,867
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years and adjustments to estimates	179,159	190,683	369,842
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(104,208)</u>	<u>(255,501)</u>	<u>(359,709)</u>
Amount of accrued claims at June 30, 2005	<u>1,073,000</u>	<u>1,561,000</u>	<u>2,634,000</u>
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years and adjustments to estimates	376,048	806,246	1,182,294
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(21,048)</u>	<u>(562,246)</u>	<u>(583,294)</u>
Amount of accrued claims at June 30, 2006	<u><u>\$ 1,428,000</u></u>	<u><u>\$ 1,805,000</u></u>	<u><u>\$ 3,233,000</u></u>

**Self-Insurance Pool**

The City is a member of CSAC Excess Insurance Authority. The Authority is a member directed joint powers insurance pool, which has been operational since October of 1979. Current membership includes 53 of the 58 counties in California and 90 members of the California Public Entity Insurance Authority (CPEIA). The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages.

The City participates in the excess workers' compensation and employer's liability programs of the Authority. For workers' compensation the City has a self-insured retention of \$300,000 per occurrence. For employer's liability the City has a self-insured retention of \$250,000 per occurrence. The City has a pooled retention of \$5,000,000 each occurrence, a \$45,000,000 reinsurance layer in excess of the \$5,000,000 pooled retention per occurrence for workers' compensation claims, and a \$5,000,000 employer's liability reinsurance layer per occurrence in excess of the \$5,000,000 pooled retention.

**City of Moreno Valley**  
**Notes to Basic Financial Statements (Continued)**

**Note 13: Commitments and Contingencies (Continued)**

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There has been no significant reduction in pooled or insured liability coverage from coverage in the prior year.

**Litigation**

There are several lawsuits pending against the City. The outcome and eventual liability of the City, if any, in these cases is not known at this time. Management estimates that the potential claims against the City, not covered by insurance or self-insurance reserves, resulting from such litigation would not materially affect the financial statements of the City.

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## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS:

#### **State Gasoline Tax Fund**

This fund is used to account for the City's share of state gas tax revenue restricted for street improvement and maintenance. The revenue is apportioned under the Streets and Highway Code of the State of California.

#### **Article 3 Transportation Fund**

This fund is used to account for the City's share of Article 3 revenue restricted for construction of pedestrian and bikeway projects.

#### **Measure "A" Fund**

This fund is used to account for the City's share of the Riverside County half-cent sales tax restricted for transportation projects.

#### **Law Enforcement Fund**

This group of funds is used to account for revenue from several grants restricted for law enforcement. The grants include the Local Law Enforcement Block Grant (LLEBG), Supplemental Law Enforcement Services Fund (SLESF), Office of Traffic Safety Grant (OTS), Universal Hiring Grant (UHG), Edward Byrne Memorial Justice Assistance Grant (JAG), and the Buffer Zone Protection Plan Grant.

#### **Public Education/Government Access Program Fund**

This fund is used to account for the Public Education/Government Access (PEG) Grant revenue restricted for providing education and government access to the public. These funds are used to support the City's cable television channel, MVTV-3.

#### **Air Quality Management Fund**

This fund is used to account for the City's share of the State AB 2766 funds. The revenue is apportioned to cities by the South Coast Air Quality Management District and is restricted for programs to reduce air pollution from mobile sources pursuant to the California Clean Air Act of 1988.

#### **Community Development Block Grant Fund**

This fund is used to account for federal funds received from the U.S. Department of Housing and Urban Development – Community Development Block Program to be used for the development of suitable housing environment and expansion of economic opportunities for low and moderate income families.

#### **Special Districts Administration Fund**

This fund is used to account for the coordination and administration of all special assessments districts formed within the City for infrastructure improvements.

## **NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

### **SPECIAL REVENUE FUNDS (Continued):**

#### **NPDES CSA Fund**

This fund is used to account for the City's National Pollutant Discharge Elimination System program.

#### **Housing Assistance Programs Fund**

This fund is used to account for federal funds received from the U.S. Department of Housing and Urban Development to be used to develop and implement programs that expand the supply of affordable housing for low and very low income families.

#### **Child Care Grant Fund**

This fund is used to account for the Child Care grant program which provides after-school day care for the City's residents.

#### **Parks and Recreation PAL Grant Fund**

This fund is used to account for the Police Activities League (PAL) grant to promote the individual growth of the targeted youths and to provide positive alternatives for the participants. The Parks and Recreation Department administers the program through a collaborative effort with the Moreno Valley Police Department.

#### **Used Oil Recycling Fund**

This fund is used to account for the California Integrated Waste Management Board Used Oil Block Grant. The program provides public education and convenient used oil collection sites.

#### **Work Force Development Grant Fund**

This fund is used to account for the Work Force Development Grant which assists youths ages 14 through 21 to achieve educational goals to enhance their employability.

#### **Traffic Congestion Relief Fund**

This fund is used to account for revenues and expenditures related to legally restricted funds obtained through grants from the State of California for traffic congestion relief.

#### **Disaster Fund**

This fund is used to account for unforeseeable disasters and emergency situations for which reimbursement may become available.

#### **Beverage Container Recycling Fund**

This fund is used to account for the Department of Conservation Beverage Container Recycling grant.

### **Emergency Management Preparedness Grant Fund**

This fund is used to account for the receipt and disbursement of grant funds providing terrorism preparedness, an Emergency Operating Center (EOC), emergency planning and management of the Certified Emergency Response Team (CERT).

### **Youthbuild Grant Fund**

This fund is used to account for grant funds used to assist youths ages 16 through 24 to achieve educational goals including graduation from high school and vocational training in the construction trade and to increase the supply of affordable housing.

### **CAPITAL PROJECTS FUNDS:**

#### **City Hall Capital/Administration Fund**

This fund is used to account for various general City Hall capital improvements and projects.

#### **Capital Improvements Fund**

This fund is used to account for revenues received to construct capital projects to mitigate the impact of new development on the City's infrastructure.

#### **PW Capital Projects Fund**

This fund is used to account for general City capital projects.

#### **Traffic Signal Mitigation Fund**

This fund is used to account for traffic signal projects funded by revenues received from traffic mitigation fees.

#### **Fire Services Capital Projects Fund**

This fund is used to account for capital projects specific to Fire Services, including construction of new fire stations.

#### **Park Acquisition and Development Fund**

This fund is used to account for parks acquisition and development projects funded by revenues received from developers on a dwelling unit basis in accordance with the Quimby Act, a 1965 provision in the State Subdivision Map Act for the dedication of park land.

#### **Towngate Capital/Administration Fund**

This fund is used to account for the acquisition and construction of capital facilities in the Towngate area financed through special tax bonds.

### **Centerpointe Capital/Administration Fund**

This fund is used to account for the acquisition or construction of capital facilities in the Centerpointe area financed through special tax bonds.

### **Warner Ranch Capital/Development Fund**

This fund is used to account for the acquisition or construction of capital facilities in the Warner Ranch area financed through special assessments.

### **Auto Mall Capital/Administration Fund**

This fund is used to account for the acquisition or construction of capital facilities in the Auto Mall area financed through special tax bonds.

### **Parks and Recreation Capital Projects Fund**

This fund is used to account for general parks and recreation capital projects, the development of new parks and recreation facilities, community parks, neighborhood parks and sports facilities and for the major renovation of existing parks and facilities.

### **TUMF Capital Projects Fund**

This fund is used to account for transportation capital projects funded by the City's share of the Transportation Uniform Mitigation Fee (TUMF) which is a mandatory development impact fee program in Western Riverside County. This program, enacted by a two-thirds majority of voters in 2002, was designed to pay for major roads and interchange projects that are needed to serve communities as a result of new development. The Western Riverside Council of Governments (WRCOG) administers the program.

### **DIF Capital Projects Fund**

This group of funds is used to account for construction of major capital improvements funded by the development impact fee (DIF) revenues charged to developers.

### **DEBT SERVICE FUNDS:**

#### **OPA Sales Tax Agreements Fund**

This fund is used to account for the accumulation of 50% of sales tax revenue for certain retail stores and for the payment of principal and interest related to the ownership participation agreements between the Community Redevelopment Agency and certain retail stores.

#### **Towngate Improvement Bond Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the Improvement Area No. 1 Special Tax Bonds issued April 1, 1993.

### **Towngate Refunding Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the Special Tax Refunding Bonds, Series A and B, issued June 1, 1994.

### **City Hall COPs Series 1997 Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the City Hall Refunding Certificates of Participation issued May 1, 1997.

### **Auto Mall Special Tax Bonds Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the Auto Mall Special Tax Bonds Series 2000 (Auto Mall Refinancing).

### **Certificates of Participation Series 1993 Debt Service Fund**

This fund was used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the now defeased Refunding Certificates of Participation issued October 1, 1993.

### **Public Safety Lease Revenue Bonds 1997 Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the Public Safety Lease Revenue Bonds issued November 1, 1997.

### **Lease Revenue Bonds 2005 Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the 2005 Lease Revenue Bonds issued in July 2005 to finance various City capital improvements.

### **PERMANENT FUNDS:**

#### **Celebration Park Endowment Fund**

This fund is used to account for the endowment program for Celebration Park. The principal endowment amount was provided by a developer. The Parks and Recreation Department will use 85% of the interest earned each year to sponsor a community event at Celebration Park for the surrounding community to enhance community pride and involvement.

#### **Equestrian Trail Endowment Fund**

This fund is used to account for the endowment program for the Equestrian Trail. The principal endowment amount was provided by a developer. The interest earned will be used for the benefit of citywide trail use, maintenance, education and other trail-related costs.

CITY OF MORENO VALLEY

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	<u>Special Revenue Funds</u>			
	<u>State Gasoline Tax</u>	<u>Article 3 Transportation</u>	<u>Measure A</u>	<u>Law Enforcement</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 789,427	\$ 266,455	\$ 7,176,061	\$ 698,327
Receivables:				
Accounts	1,337	55,000	246,666	-
Notes and loans	-	-	-	-
Accrued interest	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	792,558	127,019
Advances to other funds	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 790,764</u></b>	<b><u>\$ 321,455</u></b>	<b><u>\$ 8,215,285</u></b>	<b><u>\$ 825,346</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 79,024	\$ 2,205	\$ 264,450	\$ 7,634
Accrued liabilities	266,648	430	15,834	-
Due to other funds	-	-	-	59,803
Deferred revenue	-	-	-	-
Unearned revenue	-	-	-	151,051
Advances from other funds	-	-	-	-
Due to other governments	-	-	-	270,891
<b>Total Liabilities</b>	<b><u>345,672</u></b>	<b><u>2,635</u></b>	<b><u>280,284</u></b>	<b><u>489,379</u></b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	14,744	7,436	3,808,430	-
Reserved for prepaid and other assets	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for long-term receivables	-	-	-	-
Reserved for advances to other funds	-	-	-	-
Reserved for endowment	-	-	-	-
Unreserved:				
Designated for continuing appropriations	86,274	304,572	4,126,571	18,972
Designated for capital improvement projects	-	-	-	-
Undesignated	344,074	6,812	-	316,995
<b>Total Fund Balances</b>	<b><u>445,092</u></b>	<b><u>318,820</u></b>	<b><u>7,935,001</u></b>	<b><u>335,967</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 790,764</u></b>	<b><u>\$ 321,455</u></b>	<b><u>\$ 8,215,285</u></b>	<b><u>\$ 825,346</u></b>

**Special Revenue Funds**

<u>Public Education/ Government Access Program</u>	<u>Air Quality Management</u>	<u>Community Development Block Grant</u>	<u>Special Districts Administration</u>	<u>NPDES CSA</u>	<u>Housing Assistance Programs</u>
\$ 1,700,201	\$ 460,823	\$ -	\$ 1,730,799	\$ 28,102	\$ 400,498
80,750	51,701	-	10,196	-	-
-	-	234,952	-	-	1,543,110
-	-	10,416	-	-	34,526
-	-	-	2,500	-	-
-	-	291,604	245,686	24,788	54,351
-	-	-	580,657	-	-
<u>\$ 1,780,951</u>	<u>\$ 512,524</u>	<u>\$ 536,972</u>	<u>\$ 2,569,838</u>	<u>\$ 52,890</u>	<u>\$ 2,032,485</u>
\$ 17,664	\$ 59,742	\$ 224,790	\$ 7,044	\$ 35,765	\$ 19,762
35,682	439	46,692	67,093	62,767	7,410
-	-	4,041	-	-	-
-	-	-	-	-	65,466
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,944,622
<u>53,346</u>	<u>60,181</u>	<u>275,523</u>	<u>74,137</u>	<u>98,532</u>	<u>2,037,260</u>
-	118,576	91,723	-	19,095	-
-	-	-	2,500	-	-
-	-	-	-	-	-
-	-	234,952	-	-	1,543,110
-	-	-	580,657	-	-
-	-	-	-	-	-
25,000	168,163	-	-	-	-
-	-	-	1,000,000	-	-
<u>1,702,605</u>	<u>165,604</u>	<u>(65,226)</u>	<u>912,544</u>	<u>(64,737)</u>	<u>(1,547,885)</u>
<u>1,727,605</u>	<u>452,343</u>	<u>261,449</u>	<u>2,495,701</u>	<u>(45,642)</u>	<u>(4,775)</u>
<u>\$ 1,780,951</u>	<u>\$ 512,524</u>	<u>\$ 536,972</u>	<u>\$ 2,569,838</u>	<u>\$ 52,890</u>	<u>\$ 2,032,485</u>

(Continued)

CITY OF MORENO VALLEY

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 (Continued)

	Special Revenue Funds			
	Child Care Grant	Parks and Recreation PAL Grant	Used Oil Recycling	Work Force Development Grant
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 17,414	\$ 18,289	\$ -
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	-	-	-
Prepaid costs	16,439	-	-	-
Due from other governments	21,300	-	4,513	-
Advances to other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 37,739</b>	<b>\$ 17,414</b>	<b>\$ 22,802</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 12,308	\$ -	\$ 5,070	\$ -
Accrued liabilities	45,496	-	1,626	-
Due to other funds	311,069	-	-	-
Deferred revenue	-	-	-	-
Unearned revenue	-	-	-	-
Advances from other funds	-	-	-	-
Due to other governments	4,298	-	-	-
<b>Total Liabilities</b>	<b>373,171</b>	<b>-</b>	<b>6,696</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid and other assets	16,439	-	-	-
Reserved for debt service	-	-	-	-
Reserved for long-term receivables	-	-	-	-
Reserved for advances to other funds	-	-	-	-
Reserved for endowment	-	-	-	-
Unreserved:				
Designated for continuing appropriations	-	-	-	-
Designated for capital improvement projects	-	-	-	-
Undesignated	(351,871)	17,414	16,106	-
<b>Total Fund Balances</b>	<b>(335,432)</b>	<b>17,414</b>	<b>16,106</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 37,739</b>	<b>\$ 17,414</b>	<b>\$ 22,802</b>	<b>\$ -</b>

Special Revenue Funds					Capital Projects Funds
Traffic Congestion Relief	Disaster	Beverage Container Recycling	Emergency Management Preparedness Grant	Youthbuild Grant	City Hall Capital/ Administration
\$ 534,107	\$ 312,761	\$ 1,127	\$ -	\$ -	\$ 5,459,781
-	-	-	-	-	1,633
-	-	-	-	-	-
-	-	-	-	-	-
1,349,947	-	-	-	-	338,683
-	-	-	-	-	-
<u>\$ 1,884,054</u>	<u>\$ 312,761</u>	<u>\$ 1,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,800,097</u>
\$ -	\$ 13,290	\$ -	\$ 38,950	\$ -	\$ 115,138
-	38	1,672	-	-	3,583
-	-	-	26,291	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>13,328</u>	<u>1,672</u>	<u>65,241</u>	-	<u>118,721</u>
-	26,580	-	-	-	2,187,336
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,804,112
-	-	-	-	-	197,019
<u>1,884,054</u>	<u>272,853</u>	<u>(545)</u>	<u>(65,241)</u>	-	<u>492,909</u>
<u>1,884,054</u>	<u>299,433</u>	<u>(545)</u>	<u>(65,241)</u>	-	<u>5,681,376</u>
<u>\$ 1,884,054</u>	<u>\$ 312,761</u>	<u>\$ 1,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,800,097</u>

**CITY OF MORENO VALLEY**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**(Continued)**

	<b>Capital Project Funds</b>		
	<b>Capital Improvements</b>	<b>PW Capital Projects</b>	<b>Traffic Signal Mitigation</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 176,852	\$ 32,692	\$ 137,578
Receivables:			
Accounts	-	-	-
Notes and loans	38,487	-	-
Accrued interest	-	-	-
Prepaid costs	-	-	-
Due from other governments	-	-	-
Advances to other funds	-	-	-
	-	-	-
<b>Total Assets</b>	<b>\$ 215,339</b>	<b>\$ 32,692</b>	<b>\$ 137,578</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Unearned revenue	-	-	-
Advances from other funds	-	-	-
Due to other governments	-	-	-
	-	-	-
<b>Total Liabilities</b>	-	-	-
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	-	-	-
Reserved for prepaid and other assets	-	-	-
Reserved for debt service	-	-	-
Reserved for long-term receivables	38,487	-	-
Reserved for advances to other funds	-	-	-
Reserved for endowment	-	-	-
Unreserved:			
Designated for continuing appropriations	-	-	-
Designated for capital improvement projects	-	-	-
Undesignated	176,852	32,692	137,578
	176,852	32,692	137,578
<b>Total Fund Balances</b>	<b>215,339</b>	<b>32,692</b>	<b>137,578</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 215,339</b>	<b>\$ 32,692</b>	<b>\$ 137,578</b>

**Capital Projects Funds**

<u>Fire Services</u>	<u>Park Acquisition and Development</u>	<u>Towngate Capital/ Administration</u>	<u>Centerpointe Capital/ Administration</u>	<u>Warner Ranch Capital/ Development</u>	<u>Auto Mall Capital/ Administration</u>
\$ 1,075,177	\$ 230	\$ 42,686	\$ -	\$ -	\$ 521,354
-	-	-	-	-	-
98,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,041	-
-	-	-	-	-	-
<u>\$ 1,173,177</u>	<u>\$ 230</u>	<u>\$ 42,686</u>	<u>\$ -</u>	<u>\$ 1,041</u>	<u>\$ 521,354</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	331,212	63,488	15,837	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	17,999	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>331,212</u>	<u>63,488</u>	<u>33,836</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
98,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
467,435	-	-	-	-	-
-	-	-	-	-	-
<u>607,742</u>	<u>230</u>	<u>(288,526)</u>	<u>(63,488)</u>	<u>(32,795)</u>	<u>521,354</u>
<u>1,173,177</u>	<u>230</u>	<u>(288,526)</u>	<u>(63,488)</u>	<u>(32,795)</u>	<u>521,354</u>
<u>\$ 1,173,177</u>	<u>\$ 230</u>	<u>\$ 42,686</u>	<u>\$ -</u>	<u>\$ 1,041</u>	<u>\$ 521,354</u>

**CITY OF MORENO VALLEY**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
(Continued)**

	<b>Capital Projects Funds</b>		
	<b>Parks &amp; Recreations Capital Projects</b>	<b>TUMF Capital Projects</b>	<b>DIF Capital Projects</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 5,322,489	\$ -	\$ 6,036,586
Receivables:			
Accounts	28,569	915,375	-
Notes and loans	-	-	-
Accrued interest	-	-	-
Prepaid costs	-	-	-
Due from other governments	-	-	-
Advances to other funds	-	-	-
	-	-	-
<b>Total Assets</b>	<b><u>\$ 5,351,058</u></b>	<b><u>\$ 915,375</u></b>	<b><u>\$ 6,036,586</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 117,088	\$ 196,829	\$ 86,608
Accrued liabilities	662	5,764	820
Due to other funds	200,000	1,936,607	-
Deferred revenue	-	-	-
Unearned revenue	-	-	-
Advances from other funds	-	-	-
Due to other governments	-	-	-
	-	-	-
<b>Total Liabilities</b>	<b><u>317,750</u></b>	<b><u>2,139,200</u></b>	<b><u>87,428</u></b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	830,445	524,015	420,697
Reserved for prepaid and other assets	-	-	-
Reserved for debt service	-	-	-
Reserved for long-term receivables	-	-	-
Reserved for advances to other funds	-	-	-
Reserved for endowment	-	-	-
Unreserved:			
Designated for continuing appropriations	4,033,821	-	2,235,685
Designated for capital improvement projects	-	-	-
Undesignated	169,042	(1,747,840)	3,292,776
	169,042	(1,747,840)	3,292,776
<b>Total Fund Balances</b>	<b><u>5,033,308</u></b>	<b><u>(1,223,825)</u></b>	<b><u>5,949,158</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 5,351,058</u></b>	<b><u>\$ 915,375</u></b>	<b><u>\$ 6,036,586</u></b>

**Debt Service Funds**

<u>OPA Sales Tax Agreements</u>	<u>Towngate Improvement Bond</u>	<u>Towngate Refunding</u>	<u>City Hall COPs Series 1997</u>	<u>Auto Mall Special Tax Bonds</u>
\$ 96,736	\$ 821,360	\$ 4,611,789	\$ 803,266	\$ 2,081,039
-	-	-	-	-
-	-	-	-	-
-	3,290	12,049	-	8,342
-	-	-	-	-
-	-	-	-	-
<u>\$ 96,736</u>	<u>\$ 824,650</u>	<u>\$ 4,623,838</u>	<u>\$ 803,266</u>	<u>\$ 2,089,381</u>
\$ 96,736	\$ -	\$ -	\$ -	\$ 261,591
-	-	-	-	-
-	-	181,660	-	1,260,653
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>96,736</u>	<u>-</u>	<u>181,660</u>	<u>-</u>	<u>1,522,244</u>
-	-	-	-	-
-	-	-	-	-
-	824,650	3,825,184	370,077	667,802
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	616,994	433,189	(100,665)
<u>-</u>	<u>824,650</u>	<u>4,442,178</u>	<u>803,266</u>	<u>567,137</u>
<u>\$ 96,736</u>	<u>\$ 824,650</u>	<u>\$ 4,623,838</u>	<u>\$ 803,266</u>	<u>\$ 2,089,381</u>

(Continued)

**CITY OF MORENO VALLEY**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
(Continued)**

	<b>Debt Service Funds</b>		
	<b>Certificates of Participation Series 1993</b>	<b>Public Safety Lease Revenue Bonds 1997</b>	<b>Lease Revenue Bonds 2005</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 432,949	\$ 741,846	\$ 8,557,561
Receivables:			
Accounts	-	-	-
Notes and loans	-	-	-
Accrued interest	-	-	-
Prepaid costs	-	-	-
Due from other governments	-	-	-
Advances to other funds	-	-	-
	<u>432,949</u>	<u>741,846</u>	<u>8,557,561</u>
<b>Total Assets</b>	<b><u>\$ 432,949</u></b>	<b><u>\$ 741,846</u></b>	<b><u>\$ 8,557,561</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Unearned revenue	-	-	-
Advances from other funds	-	-	-
Due to other governments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	-	-	-
Reserved for prepaid and other assets	-	-	-
Reserved for debt service	432,949	741,846	8,557,561
Reserved for long-term receivables	-	-	-
Reserved for advances to other funds	-	-	-
Reserved for endowment	-	-	-
Unreserved:			
Designated for continuing appropriations	-	-	-
Designated for capital improvement projects	-	-	-
Undesignated	-	-	-
	<u>432,949</u>	<u>741,846</u>	<u>8,557,561</u>
<b>Total Fund Balances</b>	<b><u>432,949</u></b>	<b><u>741,846</u></b>	<b><u>8,557,561</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 432,949</u></b>	<b><u>\$ 741,846</u></b>	<b><u>\$ 8,557,561</u></b>

**Permanent Funds**

<u>Celebration Park Endowment</u>	<u>Equestrian Trail Endowment</u>	<u>Totals</u>
\$ 49,359	\$ 10,000	\$ 51,145,721
-	-	1,391,227
-	-	1,914,549
-	-	68,623
-	-	18,939
-	-	3,251,490
-	-	580,657
<u>\$ 49,359</u>	<u>\$ 10,000</u>	<u>58,371,206</u>
\$ -	\$ -	\$ 1,661,688
-	-	562,656
-	-	4,390,661
-	-	65,466
-	-	151,051
-	-	17,999
-	-	2,219,811
<u>-</u>	<u>-</u>	<u>9,069,332</u>
-	-	8,049,077
-	-	18,939
-	-	15,420,069
-	-	1,914,549
-	-	580,657
49,359	10,000	59,359
-	-	14,270,605
-	-	1,197,019
-	-	7,791,600
<u>49,359</u>	<u>10,000</u>	<u>49,301,874</u>
<u>\$ 49,359</u>	<u>\$ 10,000</u>	<u>\$ 58,371,206</u>

**CITY OF MORENO VALLEY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	<u>Special Revenue Funds</u>			
	<u>State Gasoline Tax</u>	<u>Article 3 Transportation</u>	<u>Measure A</u>	<u>Law Enforcement</u>
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	2,779,016	55,000	5,285,530	599,539
Charges for Service	-	-	-	-
Use of money and property	14,414	6,973	162,488	13,560
Miscellaneous	11,065	235	47,828	-
<b>Total Revenues</b>	<b><u>2,804,495</u></b>	<b><u>62,208</u></b>	<b><u>5,495,846</u></b>	<b><u>613,099</u></b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	233,293
Public safety	-	-	-	572,094
Community development	-	-	-	-
Public works	4,098,263	21,550	2,614,037	112,712
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total Expenditures</b>	<b><u>4,098,263</u></b>	<b><u>21,550</u></b>	<b><u>2,614,037</u></b>	<b><u>918,099</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,293,768)</u>	<u>40,658</u>	<u>2,881,809</u>	<u>(305,000)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	-	-
Transfers in	836,236	100,000	-	364,785
Transfers out	-	-	(100,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>836,236</u></b>	<b><u>100,000</u></b>	<b><u>(100,000)</u></b>	<b><u>364,785</u></b>
Net change in Fund Balances	(457,532)	140,658	2,781,809	59,785
Fund Balance, Beginning of Year, As Restated	<u>902,624</u>	<u>178,162</u>	<u>5,153,192</u>	<u>276,182</u>
<b>Fund balances (deficit) at end of year</b>	<b><u>\$ 445,092</u></b>	<b><u>\$ 318,820</u></b>	<b><u>\$ 7,935,001</u></b>	<b><u>\$ 335,967</u></b>

**Special Revenue Funds**

<b>Public Education/ Government Access Program</b>	<b>Air Quality Management</b>	<b>Community Development Block Grant</b>	<b>Special Districts Administration</b>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	226,666	2,432,327	-
-	-	-	724,807
-	15,961	-	45,079
<u>309,231</u>	<u>-</u>	<u>44,031</u>	<u>256</u>
<b><u>309,231</u></b>	<b><u>242,627</u></b>	<b><u>2,476,358</u></b>	<b><u>770,142</u></b>
647,565	-	-	-
-	-	-	-
-	-	2,413,321	-
-	503,808	-	1,120,373
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>647,565</u></b>	<b><u>503,808</u></b>	<b><u>2,413,321</u></b>	<b><u>1,120,373</u></b>
<u>(338,334)</u>	<u>(261,181)</u>	<u>63,037</u>	<u>(350,231)</u>
-	-	-	-
354,431	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>354,431</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
16,097	(261,181)	63,037	(350,231)
<u>1,711,508</u>	<u>713,524</u>	<u>198,412</u>	<u>2,845,932</u>
<b><u>\$ 1,727,605</u></b>	<b><u>\$ 452,343</u></b>	<b><u>\$ 261,449</u></b>	<b><u>\$ 2,495,701</u></b>

(Continued)

**CITY OF MORENO VALLEY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**(CONTINUED)**

	Special Revenue Funds			
	NPDES CSA	Housing Assistance Programs	Child Care Grant	Parks and Recreation PAL Grant
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Other taxes	-	-	-	-
Licenses and permits	102,707	-	-	-
Intergovernmental	-	303,426	549,778	-
Charges for Service	-	-	-	-
Use of money and property	-	3,413	-	-
Miscellaneous	-	-	7,957	-
<b>Total Revenues</b>	<b>102,707</b>	<b>306,839</b>	<b>557,735</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	329,676	719,508	-
Public works	1,072,859	-	-	-
Debt service:				
Principal retirement	-	-	24,658	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total Expenditures</b>	<b>1,072,859</b>	<b>329,676</b>	<b>744,166</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(970,152)	(22,837)	(186,431)	-
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	-	-
Transfers in	303,639	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>303,639</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in Fund Balances	(666,513)	(22,837)	(186,431)	-
Fund Balance, Beginning of Year As Restated	620,871	18,062	(149,001)	17,414
<b>Fund balances (deficit) at end of year</b>	<b>\$ (45,642)</b>	<b>\$ (4,775)</b>	<b>\$ (335,432)</b>	<b>\$ 17,414</b>

**Special Revenue Funds**

<u>Used Oil Recycling</u>	<u>Work Force Development Grant</u>	<u>Traffic Congestion Relief</u>	<u>Disaster</u>	<u>Beverage Container Recycling</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,880,029	-	-
2,006	-	7,146	-	-
<u>4,514</u>	<u>923</u>	<u>-</u>	<u>1,625</u>	<u>42,390</u>
<b><u>6,520</u></b>	<b><u>923</u></b>	<b><u>1,887,175</u></b>	<b><u>1,625</u></b>	<b><u>42,390</u></b>
61,916	-	-	-	28,244
-	-	-	182,192	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>61,916</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>182,192</u></b>	<b><u>28,244</u></b>
<u>(55,396)</u>	<u>923</u>	<u>1,887,175</u>	<u>(180,567)</u>	<u>14,146</u>
-	-	-	-	-
-	-	-	480,000	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,654)</u>
<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>480,000</u></b>	<b><u>(14,654)</u></b>
(55,396)	923	1,887,175	299,433	(508)
<u>71,502</u>	<u>(923)</u>	<u>(3,121)</u>	<u>-</u>	<u>(37)</u>
<b><u>\$ 16,106</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,884,054</u></b>	<b><u>\$ 299,433</u></b>	<b><u>\$ (545)</u></b>

(Continued)

**CITY OF MORENO VALLEY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**(CONTINUED)**

	Special Revenue Funds		Capital Project Funds	
	Emergency Management Preparedness Grant	Youthbuild Grant	City Hall Capital/ Administration	Capital Improvements
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	283,807	68,401	338,683	-
Charges for Service	-	-	-	-
Use of money and property	-	-	-	-
Miscellaneous	-	-	704	-
<b>Total Revenues</b>	<b>283,807</b>	<b>68,401</b>	<b>339,387</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	56,512	-	-
Public safety	187,936	-	-	-
Community development	-	-	-	-
Public works	-	-	1,806,824	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
<b>Total Expenditures</b>	<b>187,936</b>	<b>56,512</b>	<b>1,806,824</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	95,871	11,889	(1,467,437)	-
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	-	-
Transfers in	-	-	4,641,311	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>4,641,311</b>	<b>-</b>
Net change in Fund Balances	95,871	11,889	3,173,874	-
Fund Balance, Beginning of Year As Restated	(161,112)	(11,889)	2,507,502	215,339
<b>Fund balances (deficit) at end of year</b>	<b>\$ (65,241)</b>	<b>\$ -</b>	<b>\$ 5,681,376</b>	<b>\$ 215,339</b>

**Capital Projects Funds**

<u>PW Capital Projects</u>	<u>Traffic Signal Mitigation</u>	<u>Fire Services</u>	<u>Park Acquisition and Development</u>	<u>Towngate Capital/ Administration</u>	<u>Centerpointe Capital/ Administration</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	9,680	-	-	55,045
-	-	<b>9,680</b>	-	-	<b>55,045</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	132,565	-	155,527	55,413
-	-	-	-	-	-
-	-	-	-	-	-
-	-	<b>132,565</b>	-	<b>155,527</b>	<b>55,413</b>
-	-	(122,885)	-	(155,527)	(368)
-	-	-	-	-	-
-	-	1,043,000	-	155,750	-
-	-	(1,334,000)	-	-	-
-	-	<b>(291,000)</b>	-	<b>155,750</b>	-
-	-	(413,885)	-	223	(368)
<u>32,692</u>	<u>137,578</u>	<u>1,587,062</u>	<u>230</u>	<u>(288,749)</u>	<u>(63,120)</u>
<u>\$ 32,692</u>	<u>\$ 137,578</u>	<u>\$ 1,173,177</u>	<u>\$ 230</u>	<u>\$ (288,526)</u>	<u>\$ (63,488)</u>

(Continued)

**CITY OF MORENO VALLEY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**(CONTINUED)**

	<u>Capital Projects Funds</u>			
	<u>Warner Ranch Capital/ Development</u>	<u>Auto Mall Capital/ Administration</u>	<u>Parks &amp; Recreations Capital Projects</u>	<u>TUMF Capital Projects</u>
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 8,321	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	63,119	915,375
Charges for Service	-	-	-	-
Use of money and property	-	-	-	-
Miscellaneous	-	427,252	2,050	199
	<u>8,321</u>	<u>427,252</u>	<u>65,169</u>	<u>915,574</u>
<b>Total Revenues</b>				
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	13,673	147,518	853,927	1,735,295
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
	<u>13,673</u>	<u>147,518</u>	<u>853,927</u>	<u>1,735,295</u>
<b>Total Expenditures</b>				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,352)</u>	<u>279,734</u>	<u>(788,758)</u>	<u>(819,721)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	-	-
Transfers in	-	148,940	4,465,272	-
Transfers out	-	-	-	-
	<u>-</u>	<u>148,940</u>	<u>4,465,272</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>				
Net change in Fund Balances	(5,352)	428,674	3,676,514	(819,721)
Fund Balance, Beginning of Year				
As Restated	<u>(27,443)</u>	<u>92,680</u>	<u>1,356,794</u>	<u>(404,104)</u>
<b>Fund balances (deficit) at end of year</b>	<u>\$ (32,795)</u>	<u>\$ 521,354</u>	<u>\$ 5,033,308</u>	<u>\$ (1,223,825)</u>

**Debt Service Funds**

<b>DIF Capital Projects</b>	<b>OPA Sales Tax Agreements</b>	<b>Towngate Improvement Bond</b>	<b>Towngate Refunding</b>
\$ -	\$ -	\$ -	\$ -
-	416,928	-	-
-	-	435,010	-
-	-	-	-
-	-	-	-
-	-	22,967	171,208
-	-	-	-
<u>-</u>	<u>416,928</u>	<u>457,977</u>	<u>171,208</u>
-	-	-	-
-	-	-	-
-	-	-	-
479,502	-	-	-
-	-	110,000	1,035,000
-	416,928	291,031	970,955
-	-	-	-
<u>479,502</u>	<u>416,928</u>	<u>401,031</u>	<u>2,005,955</u>
<u>(479,502)</u>	<u>-</u>	<u>56,946</u>	<u>(1,834,747)</u>
-	-	-	-
4,885,700	-	-	2,056,146
-	-	(33,500)	(122,250)
<u>4,885,700</u>	<u>-</u>	<u>(33,500)</u>	<u>1,933,896</u>
4,406,198	-	23,446	99,149
<u>1,542,960</u>	<u>-</u>	<u>801,204</u>	<u>4,343,029</u>
<u>\$ 5,949,158</u>	<u>\$ -</u>	<u>\$ 824,650</u>	<u>\$ 4,442,178</u>

(Continued)

**CITY OF MORENO VALLEY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**(CONTINUED)**

	<u>Debt Service Funds</u>		
	<u>City Hall COPs Series 1997</u>	<u>Auto Mall Special Tax Bonds</u>	<u>Certificates of Participation Series 1993</u>
<b>Revenues:</b>			
Taxes:			
Property taxes	\$ -	\$ -	\$ -
Sales taxes	-	-	-
Other taxes	-	1,190,953	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for Service	-	-	-
Use of money and property	2	47,653	1
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	<b>2</b>	<b>1,238,606</b>	<b>1</b>
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	-	-
Public works	-	-	-
Debt service:			
Principal retirement	510,000	640,000	-
Interest and fiscal charges	332,786	1,418,404	2,567
Bond issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>842,786</b>	<b>2,058,404</b>	<b>2,567</b>
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(842,784)	(819,798)	(2,566)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Issuance of debt	-	-	-
Transfers in	788,500	73,700	2,500
Transfers out	-	(148,940)	-
	<hr/>	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>788,500</b>	<b>(75,240)</b>	<b>2,500</b>
	<hr/>	<hr/>	<hr/>
Net change in Fund Balances	(54,284)	(895,038)	(66)
Fund Balance, Beginning of Year			
As Restated	857,550	1,462,175	433,015
	<hr/>	<hr/>	<hr/>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 803,266</b>	<b>\$ 567,137</b>	<b>\$ 432,949</b>
	<hr/>	<hr/>	<hr/>

<u>Debt Service Funds</u>		<u>Permanent Funds</u>		
<u>Public Safety Lease Revenue Bonds 1997</u>	<u>Lease Revenue Bonds 2005</u>	<u>Celebration Park Endowment</u>	<u>Equestrian Trail Endowment</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,321
-	-	-	-	416,928
-	-	-	-	1,625,963
-	-	-	-	102,707
-	-	-	-	15,780,696
-	-	-	-	724,807
25,229	197,556	49,359	10,000	795,015
-	-	-	-	964,985
<u>25,229</u>	<u>197,556</u>	<u>49,359</u>	<u>10,000</u>	<u>20,419,422</u>
-	-	-	-	1,027,530
-	-	-	-	942,222
-	-	-	-	3,462,505
-	-	-	-	14,923,846
160,000	-	-	-	2,479,658
242,284	1,758,995	-	-	5,433,950
-	225,545	-	-	225,545
<u>402,284</u>	<u>1,984,540</u>	<u>-</u>	<u>-</u>	<u>28,495,256</u>
<u>(377,055)</u>	<u>(1,786,984)</u>	<u>49,359</u>	<u>10,000</u>	<u>(8,075,834)</u>
-	5,564,893	-	-	5,564,893
400,283	4,779,652	-	-	25,879,845
-	-	-	-	(1,753,344)
<u>400,283</u>	<u>10,344,545</u>	<u>-</u>	<u>-</u>	<u>29,691,394</u>
23,228	8,557,561	49,359	10,000	21,615,560
718,618	-	-	-	27,686,314
<u>\$ 741,846</u>	<u>\$ 8,557,561</u>	<u>\$ 49,359</u>	<u>\$ 10,000</u>	<u>\$ 49,301,874</u>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**LEASE REVENUE BONDS 2005 CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2006**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 1,350,128	\$ 1,350,128
<b>Total Revenues</b>	<b>-</b>	<b>1,350,128</b>	<b>1,350,128</b>
<b>Expenditures:</b>			
Current:			
Public works	45,186,214	316,465	44,869,749
Debt service:			
Bond issuance costs	439,093	439,093	-
<b>Total Expenditures</b>	<b>45,625,307</b>	<b>755,558</b>	<b>44,869,749</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,625,307)	594,570	46,219,877
<b>Other Financing Sources (Uses):</b>			
Issuance of debt	42,640,107	42,640,107	-
Transfers in	2,800,000	2,800,000	-
Transfers out	-	(1,237,459)	(1,237,459)
Premium on debt issued	570,840	570,840	-
Discount on debt issued	(385,640)	(385,640)	-
<b>Total Other Financing Sources (Uses)</b>	<b>45,625,307</b>	<b>44,387,848</b>	<b>(1,237,459)</b>
Net Change in Fund Balances	-	44,982,418	44,982,418
Fund Balances, Beginning of Year	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 44,982,418</b>	<b>\$ 44,982,418</b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**STATE GASOLINE TAX SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 2,933,440	\$ 2,779,016	\$ (154,424)
Use of money and property	20,600	14,414	(6,186)
Miscellaneous	-	11,065	11,065
<b>Total Revenues</b>	<u><b>2,954,040</b></u>	<u><b>2,804,495</b></u>	<u><b>(149,545)</b></u>
<b>Expenditures:</b>			
Current:			
Public works	\$ 4,365,686	\$ 4,098,263	\$ 267,423
<b>Total Expenditures</b>	<u><b>4,365,686</b></u>	<u><b>4,098,263</b></u>	<u><b>267,423</b></u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,411,646)</u>	<u>(1,293,768)</u>	<u>117,878</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	<u>3,799,694</u>	<u>836,236</u>	<u>(2,963,458)</u>
<b>Total Other Financing Sources (Uses)</b>	<u><b>3,799,694</b></u>	<u><b>836,236</b></u>	<u><b>(2,963,458)</b></u>
Net Change in Fund Balances	2,388,048	(457,532)	(2,845,580)
Fund Balances, Beginning of Year	<u>902,624</u>	<u>902,624</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><b>\$ 3,290,672</b></u>	<u><b>\$ 445,092</b></u>	<u><b>\$ (2,845,580)</b></u>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**ARTICLE 3 TRANSPORTATION SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 55,000	\$ 55,000	\$ -
Use of money and property	-	6,973	6,973
Miscellaneous	-	235	235
<b>Total Revenues</b>	<u>55,000</u>	<u>62,208</u>	<u>7,208</u>
<b>Expenditures:</b>			
Current:			
Public works	<u>333,558</u>	<u>21,550</u>	<u>312,008</u>
<b>Total Expenditures</b>	<u>333,558</u>	<u>21,550</u>	<u>312,008</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(278,558)</u>	<u>40,658</u>	<u>319,216</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balances	(178,558)	140,658	319,216
Fund Balances, Beginning of Year	<u>178,162</u>	<u>178,162</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ (396)</u>	<u>\$ 318,820</u>	<u>\$ 319,216</u>

**CITY OF MORENO VALLEY**

**BUDGETARY COMPARISON SCHEDULE  
MEASURE A SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2006**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 5,478,800	\$ 5,285,530	\$ (193,270)
Use of money and property	160,000	162,488	2,488
Miscellaneous	2,000	47,828	45,828
<b>Total Revenues</b>	<b>5,640,800</b>	<b>5,495,846</b>	<b>(144,954)</b>
<b>Expenditures:</b>			
Current:			
Public works	11,663,709	2,614,037	9,049,672
<b>Total Expenditures</b>	<b>11,663,709</b>	<b>2,614,037</b>	<b>9,049,672</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,022,909)	2,881,809	8,904,718
<b>Other Financing Sources (Uses):</b>			
Transfers out	-	(100,000)	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(100,000)</b>	<b>(100,000)</b>
Net Change in Fund Balances	(6,022,909)	2,781,809	8,804,718
Fund Balances, Beginning of Year	5,153,192	5,153,192	-
<b>Fund Balances, End of Year</b>	<b>\$ (869,717)</b>	<b>\$ 7,935,001</b>	<b>\$ 8,804,718</b>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 LAW ENFORCEMENT SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 653,157	\$ 599,539	\$ (53,618)
Use of money and property	-	13,560	13,560
<b>Total Revenues</b>	<u>653,157</u>	<u>613,099</u>	<u>(40,058)</u>
<b>Expenditures:</b>			
Current:			
General government	197,646	233,293	(35,647)
Public safety	711,667	572,094	139,573
Public works	106,959	112,712	(5,753)
<b>Total Expenditures</b>	<u>1,016,272</u>	<u>918,099</u>	<u>98,173</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(363,115)</u>	<u>(305,000)</u>	<u>58,115</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	336,938	364,785	27,847
<b>Total Other Financing Sources (Uses)</b>	<u>336,938</u>	<u>364,785</u>	<u>27,847</u>
Net Change in Fund Balances	(26,177)	59,785	85,962
Fund Balances, Beginning of Year	276,182	276,182	-
<b>Fund Balances, End of Year</b>	<u>\$ 250,005</u>	<u>\$ 335,967</u>	<u>\$ 85,962</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE

PUBLIC EDUCATION/GOVERNMENT ACCESS PROGRAM SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Miscellaneous	\$ 300,000	\$ 309,231	\$ 9,231
<b>Total Revenues</b>	<b><u>300,000</u></b>	<b><u>309,231</u></b>	<b><u>9,231</u></b>
<b>Expenditures:</b>			
Current:			
General government	679,431	647,565	31,866
<b>Total Expenditures</b>	<b><u>679,431</u></b>	<b><u>647,565</u></b>	<b><u>31,866</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(379,431)</u>	<u>(338,334)</u>	<u>41,097</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	354,431	354,431	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>354,431</u></b>	<b><u>354,431</u></b>	<b><u>-</u></b>
Net Change in Fund Balances	(25,000)	16,097	41,097
Fund Balances, Beginning of Year	<u>1,711,508</u>	<u>1,711,508</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 1,686,508</u></b>	<b><u>\$ 1,727,605</u></b>	<b><u>\$ 41,097</u></b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**AIR QUALITY MANAGEMENT SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 120,000	\$ 226,666	\$ 106,666
Use of money and property	<u>-</u>	<u>15,961</u>	<u>15,961</u>
<b>Total Revenues</b>	<u><b>120,000</b></u>	<u><b>242,627</b></u>	<u><b>122,627</b></u>
<b>Expenditures:</b>			
Current:			
Public works	<u>957,916</u>	<u>503,808</u>	<u>454,108</u>
<b>Total Expenditures</b>	<u><b>957,916</b></u>	<u><b>503,808</b></u>	<u><b>454,108</b></u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(837,916)</u>	<u>(261,181)</u>	<u>576,735</u>
Net Change in Fund Balances	(837,916)	(261,181)	576,735
 Fund Balances, Beginning of Year	 <u>713,524</u>	 <u>713,524</u>	 <u>-</u>
 <b>Fund Balances, End of Year</b>	 <u><b>\$ (124,392)</b></u>	 <u><b>\$ 452,343</b></u>	 <u><b>\$ 576,735</b></u>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 1,820,385	\$ 2,432,327	\$ 611,942
Miscellaneous	<u>-</u>	<u>44,031</u>	<u>44,031</u>
<b>Total Revenues</b>	<u><b>1,820,385</b></u>	<u><b>2,476,358</b></u>	<u><b>655,973</b></u>
<b>Expenditures:</b>			
Current:			
Community development	<u>3,718,737</u>	<u>2,413,321</u>	<u>1,305,416</u>
<b>Total Expenditures</b>	<u><b>3,718,737</b></u>	<u><b>2,413,321</b></u>	<u><b>1,305,416</b></u>
Net Change in Fund Balances	(1,898,352)	63,037	1,961,389
Fund Balances, Beginning of Year	<u>198,412</u>	<u>198,412</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><b>\$ (1,699,940)</b></u>	<u><b>\$ 261,449</b></u>	<u><b>\$ 1,961,389</b></u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 SPECIAL DISTRICTS ADMINISTRATION SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Charges for services	\$ 679,602	\$ 724,807	\$ 45,205
Use of money and property	33,075	45,079	12,004
Miscellaneous	42,280	256	(42,024)
<b>Total Revenues</b>	<b><u>754,957</u></b>	<b><u>770,142</u></b>	<b><u>15,185</u></b>
<b>Expenditures:</b>			
Current:			
Public works	<u>1,227,202</u>	<u>1,120,373</u>	<u>106,829</u>
<b>Total Expenditures</b>	<b><u>1,227,202</u></b>	<b><u>1,120,373</u></b>	<b><u>106,829</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(472,245)</u>	<u>(350,231)</u>	<u>122,014</u>
Net Change in Fund Balances	(472,245)	(350,231)	122,014
Fund Balances, Beginning of Year	<u>2,265,275</u>	<u>2,845,932</u>	<u>580,657</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 1,793,030</u></b>	<b><u>\$ 2,495,701</u></b>	<b><u>\$ 702,671</u></b>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 NPDES CSA SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Licenses and permits	\$ 379,635	\$ 102,707	\$ (276,928)
Intergovernmental	445,390	-	(445,390)
Charges for services	129,535	-	(129,535)
<b>Total Revenues</b>	<b><u>954,560</u></b>	<b><u>102,707</u></b>	<b><u>(851,853)</u></b>
<b>Expenditures:</b>			
Current:			
Public works	1,474,744	1,072,859	401,885
<b>Total Expenditures</b>	<b><u>1,474,744</u></b>	<b><u>1,072,859</u></b>	<b><u>401,885</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(520,184)</u>	<u>(970,152)</u>	<u>(449,968)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	303,639	303,639	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>303,639</u></b>	<b><u>303,639</u></b>	<b><u>-</u></b>
Net Change in Fund Balances	(216,545)	(666,513)	(449,968)
Fund Balances, Beginning of Year, as Restated	620,871	620,871	-
<b>Fund Balances, End of Year</b>	<b><u>\$ 404,326</u></b>	<b><u>\$ (45,642)</u></b>	<b><u>\$ (449,968)</u></b>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 HOUSING ASSISTANCE PROGRAM SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 2,042,351	\$ 303,426	\$ (1,738,925)
Use of money and property	9,000	3,413	(5,587)
Miscellaneous	50,800	-	(50,800)
<b>Total Revenues</b>	<b><u>2,102,151</u></b>	<b><u>306,839</u></b>	<b><u>(1,795,312)</u></b>
<b>Expenditures:</b>			
Current:			
Community development	2,047,979	329,676	1,718,303
<b>Total Expenditures</b>	<b><u>2,047,979</u></b>	<b><u>329,676</u></b>	<b><u>1,718,303</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,172	(22,837)	(77,009)
Net Change in Fund Balances	54,172	(22,837)	(77,009)
Fund Balances, Beginning of Year	18,062	18,062	-
<b>Fund Balances, End of Year</b>	<b><u>\$ 72,234</u></b>	<b><u>\$ (4,775)</u></b>	<b><u>\$ (77,009)</u></b>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
CHILD CARE GRANT SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 643,635	\$ 549,778	\$ (93,857)
Miscellaneous	-	7,957	7,957
<b>Total Revenues</b>	<u>643,635</u>	<u>557,735</u>	<u>(85,900)</u>
<b>Expenditures:</b>			
Current:			
Community development	722,333	719,508	2,825
Debt service:			
Principal retirement	24,658	24,658	-
<b>Total Expenditures</b>	<u>746,991</u>	<u>744,166</u>	<u>2,825</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(103,356)</u>	<u>(186,431)</u>	<u>(83,075)</u>
Net Change in Fund Balances	(103,356)	(186,431)	(83,075)
Fund Balances, Beginning of Year	<u>(149,001)</u>	<u>(149,001)</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ (252,357)</u>	<u>\$ (335,432)</u>	<u>\$ (83,075)</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
PARKS & RECREATION PAL GRANT SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fund Balances, Beginning of Year, as Restated	\$ 17,414	\$ 17,414	\$ -
<b>Fund Balances, End of Year</b>	<b><u>\$ 17,414</u></b>	<b><u>\$ 17,414</u></b>	<b><u>\$ -</u></b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**USED OIL RECYCLING SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 2,050	\$ 2,006	\$ (44)
Miscellaneous	40,029	4,514	(35,515)
<b>Total Revenues</b>	<u>42,079</u>	<u>6,520</u>	<u>(35,559)</u>
<b>Expenditures:</b>			
Current:			
General government	127,164	61,916	65,248
<b>Total Expenditures</b>	<u>127,164</u>	<u>61,916</u>	<u>65,248</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(85,085)</u>	<u>(55,396)</u>	<u>29,689</u>
Net Change in Fund Balances	(85,085)	(55,396)	29,689
 Fund Balances, Beginning of Year	 <u>71,502</u>	 <u>71,502</u>	 <u>-</u>
 <b>Fund Balances, End of Year</b>	 <u>\$ (13,583)</u>	 <u>\$ 16,106</u>	 <u>\$ 29,689</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC CONGESTION RELIEF SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 1,880,029	\$ 1,880,029
Use of money and property	-	7,146	7,146
<b>Total Revenues</b>	<u>-</u>	<u>1,887,175</u>	<u>1,887,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>1,887,175</u>	<u>1,887,175</u>
Net Change in Fund Balances	-	1,887,175	1,887,175
 Fund Balances, Beginning of Year	 <u>(3,121)</u>	 <u>(3,121)</u>	 <u>-</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ (3,121)</u></b>	<b><u>\$ 1,884,054</u></b>	<b><u>\$ 1,887,175</u></b>

**CITY OF MORENO VALLEY**

**BUDGETARY COMPARISON SCHEDULE  
DISASTER SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Miscellaneous	\$ -	\$ 1,625	\$ 1,625
<b>Total Revenues</b>	<u>-</u>	<u>1,625</u>	<u>1,625</u>
<b>Expenditures:</b>			
Current:			
Public safety	<u>480,000</u>	<u>182,192</u>	<u>297,808</u>
<b>Total Expenditures</b>	<u>480,000</u>	<u>182,192</u>	<u>297,808</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(480,000)</u>	<u>(180,567)</u>	<u>299,433</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	480,000	480,000
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>480,000</u>	<u>480,000</u>
Net Change in Fund Balances	(480,000)	299,433	779,433
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ (480,000)</u>	<u>\$ 299,433</u>	<u>\$ 779,433</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 BEVERAGE CONTAINER RECYCLING SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 1,060	\$ -	\$ (1,060)
Miscellaneous	42,391	42,390	(1)
<b>Total Revenues</b>	<b><u>43,451</u></b>	<b><u>42,390</u></b>	<b><u>(1,061)</u></b>
<b>Expenditures:</b>			
Current:			
General government	43,378	28,244	15,134
<b>Total Expenditures</b>	<b><u>43,378</u></b>	<b><u>28,244</u></b>	<b><u>15,134</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>73</u>	<u>14,146</u>	<u>14,073</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	-	(14,654)	(14,654)
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>(14,654)</u></b>	<b><u>(14,654)</u></b>
Net Change in Fund Balances	73	(508)	(581)
Fund Balances, Beginning of Year	<u>(37)</u>	<u>(37)</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 36</u></b>	<b><u>\$ (545)</u></b>	<b><u>\$ (581)</u></b>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 EMERGENCY MANAGEMENT PREPAREDNESS GRANT SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 238,004	\$ 283,807	\$ 45,803
<b>Total Revenues</b>	<u>238,004</u>	<u>283,807</u>	<u>45,803</u>
<b>Expenditures:</b>			
Current:			
Public safety	241,087	187,936	53,151
<b>Total Expenditures</b>	<u>241,087</u>	<u>187,936</u>	<u>53,151</u>
Net Change in Fund Balances	(3,083)	95,871	98,954
Fund Balances, Beginning of Year	(161,112)	(161,112)	-
<b>Fund Balances, End of Year</b>	<u>\$ (164,195)</u>	<u>\$ (65,241)</u>	<u>\$ 98,954</u>

**CITY OF MORENO VALLEY**

**BUDGETARY COMPARISON SCHEDULE  
YOUTHBUILD GRANT SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 68,401	\$ 68,401
<b>Total Revenues</b>	<u>-</u>	<u>68,401</u>	<u>68,401</u>
<b>Expenditures:</b>			
Current:			
General government	<u>2,537</u>	<u>56,512</u>	<u>(53,975)</u>
<b>Total Expenditures</b>	<u>2,537</u>	<u>56,512</u>	<u>(53,975)</u>
Net Change in Fund Balances	(2,537)	11,889	14,426
Fund Balances, Beginning of Year	<u>(11,889)</u>	<u>(11,889)</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ (14,426)</u>	<u>\$ -</u>	<u>\$ 14,426</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 CITY HALL CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 338,683	\$ 338,683	\$ -
Miscellaneous	-	704	704
<b>Total Revenues</b>	<b><u>338,683</u></b>	<b><u>339,387</u></b>	<b><u>704</u></b>
<b>Expenditures:</b>			
Current:			
Public works	7,056,831	1,806,824	5,250,007
<b>Total Expenditures</b>	<b><u>7,056,831</u></b>	<b><u>1,806,824</u></b>	<b><u>5,250,007</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,718,148)</u>	<u>(1,467,437)</u>	<u>5,250,711</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	765,000	4,641,311	3,876,311
<b>Total Other Financing Sources (Uses)</b>	<b><u>765,000</u></b>	<b><u>4,641,311</u></b>	<b><u>3,876,311</u></b>
Net Change in Fund Balances	(5,953,148)	3,173,874	9,127,022
Fund Balances, Beginning of Year	2,507,502	2,507,502	-
<b>Fund Balances, End of Year</b>	<b><u>\$ (3,445,646)</u></b>	<b><u>\$ 5,681,376</u></b>	<b><u>\$ 9,127,022</u></b>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Expenditures:</b>			
Current:			
Public works	\$ 72,500	\$ -	\$ 72,500
<b>Total Expenditures</b>	<u>72,500</u>	<u>-</u>	<u>72,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(72,500)</u>	<u>-</u>	<u>72,500</u>
Net Change in Fund Balances	(72,500)	-	72,500
 Fund Balances, Beginning of Year	 <u>215,339</u>	 <u>215,339</u>	 <u>-</u>
 <b>Fund Balances, End of Year</b>	 <u><b>\$ 142,839</b></u>	 <u><b>\$ 215,339</b></u>	 <u><b>\$ 72,500</b></u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
TRAFFIC SIGNAL MITIGATION CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fund Balances, Beginning of Year	<u>137,578</u>	<u>137,578</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><b>\$ 137,578</b></u>	<u><b>\$ 137,578</b></u>	<u><b>\$ -</b></u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 FIRE SERVICES CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Miscellaneous	\$ -	\$ 9,680	\$ 9,680
<b>Total Revenues</b>	<u>-</u>	<u>9,680</u>	<u>9,680</u>
<b>Expenditures:</b>			
Public works	600,000	132,565	467,435
<b>Total Expenditures</b>	<u>600,000</u>	<u>132,565</u>	<u>467,435</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(600,000)</u>	<u>(122,885)</u>	<u>477,115</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	1,043,000	1,043,000
Transfers out	-	(1,334,000)	(1,334,000)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(291,000)</u>	<u>(291,000)</u>
Net Change in Fund Balances	(600,000)	(413,885)	186,115
Fund Balances, Beginning of Year	<u>1,587,062</u>	<u>1,587,062</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 987,062</u>	<u>\$ 1,173,177</u>	<u>\$ 186,115</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
TOWNGATE CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 500	\$ -	\$ (500)
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>500</b>	<b>-</b>	<b>(500)</b>
<b>Expenditures:</b>			
Current:			
Public works	-	155,527	(155,527)
<b>Total Expenditures</b>	<b>-</b>	<b>155,527</b>	<b>(155,527)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	500	(155,527)	(156,027)
<b>Other Financing Sources (Uses):</b>			
Transfers in	155,750	155,750	-
<b>Total Other Financing Sources (Uses)</b>	<b>155,750</b>	<b>155,750</b>	<b>-</b>
Net Change in Fund Balances	156,250	223	(156,027)
Fund Balances, Beginning of Year	(288,749)	(288,749)	-
<b>Fund Balances, End of Year</b>	<b>\$ (132,499)</b>	<b>\$ (288,526)</b>	<b>\$ (156,027)</b>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 CENTERPOINTE CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Miscellaneous	\$ 55,045	\$ 55,045	\$ -
<b>Total Revenues</b>	<u>55,045</u>	<u>55,045</u>	<u>-</u>
<b>Expenditures:</b>			
Current:			
Public works	55,047	55,413	(366)
<b>Total Expenditures</b>	<u>55,047</u>	<u>55,413</u>	<u>(366)</u>
Net Change in Fund Balances	(2)	(368)	(366)
Fund Balances, Beginning of Year	<u>(63,120)</u>	<u>(63,120)</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ (63,122)</u>	<u>\$ (63,488)</u>	<u>\$ (366)</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 WARNER RANCH CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Property taxes	\$ 8,300	\$ 8,321	\$ 21
<b>Total Revenues</b>	<u>8,300</u>	<u>8,321</u>	<u>21</u>
<b>Expenditures:</b>			
Current:			
Public works	7,188	13,673	(6,485)
<b>Total Expenditures</b>	<u>7,188</u>	<u>13,673</u>	<u>(6,485)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,112</u>	<u>(5,352)</u>	<u>(6,464)</u>
Net Change in Fund Balances	1,112	(5,352)	(6,464)
Fund Balances, Beginning of Year	<u>(27,443)</u>	<u>(27,443)</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ (26,331)</u>	<u>\$ (32,795)</u>	<u>\$ (6,464)</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 AUTO MALL CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Miscellaneous	\$ -	\$ 427,252	\$ 427,252
<b>Total Revenues</b>	<b>-</b>	<b>427,252</b>	<b>427,252</b>
<b>Expenditures:</b>			
Public works	148,940	147,518	1,422
<b>Total Expenditures</b>	<b>148,940</b>	<b>147,518</b>	<b>1,422</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(148,940)	279,734	428,674
<b>Other Financing Sources (Uses):</b>			
Transfers in	148,940	148,940	-
<b>Total Other Financing Sources (Uses)</b>	<b>148,940</b>	<b>148,940</b>	<b>-</b>
Net Change in Fund Balances	-	428,674	428,674
Fund Balances, Beginning of Year	92,680	92,680	-
<b>Fund Balances, End of Year</b>	<b>\$ 92,680</b>	<b>\$ 521,354</b>	<b>\$ 428,674</b>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
 PARKS & RECREATION CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 63,119	\$ 63,119
Miscellaneous	-	2,050	2,050
<b>Total Revenues</b>	<u>-</u>	<u>65,169</u>	<u>65,169</u>
<b>Expenditures:</b>			
Current:			
Public works	<u>7,048,521</u>	<u>853,927</u>	<u>6,194,594</u>
<b>Total Expenditures</b>	<u>7,048,521</u>	<u>853,927</u>	<u>6,194,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,048,521)</u>	<u>(788,758)</u>	<u>6,259,763</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	<u>478,513</u>	<u>4,465,272</u>	<u>3,986,759</u>
<b>Total Other Financing Sources (Uses)</b>	<u>478,513</u>	<u>4,465,272</u>	<u>3,986,759</u>
Net Change in Fund Balances	(6,570,008)	3,676,514	10,246,522
Fund Balances, Beginning of Year	<u>1,356,794</u>	<u>1,356,794</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ (5,213,214)</u>	<u>\$ 5,033,308</u>	<u>\$ 10,246,522</u>

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE  
TUMF CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 915,375	\$ 915,375
Miscellaneous	-	199	199
<b>Total Revenues</b>	<u>-</u>	<u>915,574</u>	<u>915,574</u>
<b>Expenditures:</b>			
Current:			
Public works	<u>3,663,226</u>	<u>1,735,295</u>	<u>1,927,931</u>
<b>Total Expenditures</b>	<u>3,663,226</u>	<u>1,735,295</u>	<u>1,927,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,663,226)</u>	<u>(819,721)</u>	<u>2,843,505</u>
Net Change in Fund Balances	(3,663,226)	(819,721)	2,843,505
 Fund Balances, Beginning of Year	 <u>(404,104)</u>	 <u>(404,104)</u>	 <u>-</u>
 <b>Fund Balances, End of Year</b>	 <u><b>\$ (4,067,330)</b></u>	 <u><b>\$ (1,223,825)</b></u>	 <u><b>\$ 2,843,505</b></u>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**DIF CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Miscellaneous	\$ 2,000	\$ -	\$ (2,000)
<b>Total Revenues</b>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
<b>Expenditures:</b>			
Current:			
Public works	5,701,754	479,502	5,222,252
<b>Total Expenditures</b>	<u>5,701,754</u>	<u>479,502</u>	<u>5,222,252</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,699,754)</u>	<u>(479,502)</u>	<u>5,220,252</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	4,885,700	4,885,700	-
<b>Total Other Financing Sources (Uses)</b>	<u>4,885,700</u>	<u>4,885,700</u>	<u>-</u>
Net Change in Fund Balances	(814,054)	4,406,198	5,220,252
Fund Balances, Beginning of Year	1,542,960	1,542,960	-
<b>Fund Balances, End of Year</b>	<u>\$ 728,906</u>	<u>\$ 5,949,158</u>	<u>\$ 5,220,252</u>

CITY OF MORENO VALLEY  
 BUDGETARY COMPARISON SCHEDULE  
 OPA SALES TAX AGREEMENTS DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2006

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Sales taxes	\$ 415,000	\$ 416,928	\$ 1,928
<b>Total Revenues</b>	<u>415,000</u>	<u>416,928</u>	<u>1,928</u>
<b>Expenditures:</b>			
Debt service:			
Interest and fiscal charges	415,000	416,928	(1,928)
<b>Total Expenditures</b>	<u>415,000</u>	<u>416,928</u>	<u>(1,928)</u>
Net Change in Fund Balances	-	-	-
Fund Balances, Beginning of Year	-	-	-
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**TOWNGATE IMPROVEMENT BOND DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Other taxes	\$ 440,868	\$ 435,010	\$ (5,858)
Use of money and property	5,000	22,967	17,967
<b>Total Revenues</b>	<b><u>445,868</u></b>	<b><u>457,977</u></b>	<b><u>12,109</u></b>
<b>Expenditures:</b>			
Debt service:			
Principal retirement	120,000	110,000	10,000
Interest and fiscal charges	294,553	291,031	3,522
<b>Total Expenditures</b>	<b><u>414,553</u></b>	<b><u>401,031</u></b>	<b><u>13,522</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31,315</u>	<u>56,946</u>	<u>25,631</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(33,500)</u>	<u>(33,500)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(33,500)</u></b>	<b><u>(33,500)</u></b>	<b><u>-</u></b>
Net Change in Fund Balances	(2,185)	23,446	25,631
Fund Balances, Beginning of Year	<u>801,204</u>	<u>801,204</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 799,019</u></b>	<b><u>\$ 824,650</u></b>	<b><u>\$ 25,631</u></b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**TOWNGATE REFUNDING DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ 120,000	\$ 171,208	\$ 51,208
<b>Total Revenues</b>	<b>120,000</b>	<b>171,208</b>	<b>51,208</b>
<b>Expenditures:</b>			
Debt service:			
Principal retirement	1,100,000	1,035,000	65,000
Interest and fiscal charges	831,356	970,955	(139,599)
<b>Total Expenditures</b>	<b>1,931,356</b>	<b>2,005,955</b>	<b>(74,599)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,811,356)	(1,834,747)	(23,391)
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,106,899	2,056,146	(50,753)
Transfers out	(122,250)	(122,250)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,984,649</b>	<b>1,933,896</b>	<b>(50,753)</b>
Net Change in Fund Balances	173,293	99,149	(74,144)
Fund Balances, Beginning of Year	4,343,029	4,343,029	-
<b>Fund Balances, End of Year</b>	<b>\$ 4,516,322</b>	<b>\$ 4,442,178</b>	<b>\$ (74,144)</b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**CITY HALL COPS SERIES 1997 DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 2	\$ 2
<b>Total Revenues</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Expenditures:</b>			
Debt service:			
Principal retirement	510,000	510,000	-
Interest and fiscal charges	278,500	332,786	(54,286)
<b>Total Expenditures</b>	<b>788,500</b>	<b>842,786</b>	<b>(54,286)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(788,500)	(842,784)	(54,284)
<b>Other Financing Sources (Uses):</b>			
Transfers in	788,500	788,500	-
<b>Total Other Financing Sources (Uses)</b>	<b>788,500</b>	<b>788,500</b>	<b>-</b>
Net Change in Fund Balances	-	(54,284)	(54,284)
Fund Balances, Beginning of Year	857,550	857,550	-
<b>Fund Balances, End of Year</b>	<b>\$ 857,550</b>	<b>\$ 803,266</b>	<b>\$ (54,284)</b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**AUTO MALL SPECIAL TAX BONDS DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Sales taxes	\$ 1,200,000	\$ -	\$ (1,200,000)
Other taxes	2,099,025	1,190,953	(908,072)
Use of money and property	<u>7,000</u>	<u>47,653</u>	<u>40,653</u>
<b>Total Revenues</b>	<b><u>3,306,025</u></b>	<b><u>1,238,606</u></b>	<b><u>(2,067,419)</u></b>
<b>Expenditures:</b>			
Debt service:			
Principal retirement	710,000	640,000	70,000
Interest and fiscal charges	<u>1,414,225</u>	<u>1,418,404</u>	<u>(4,179)</u>
<b>Total Expenditures</b>	<b><u>2,124,225</u></b>	<b><u>2,058,404</u></b>	<b><u>65,821</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,181,800</u>	<u>(819,798)</u>	<u>(2,001,598)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	117,560	73,700	(43,860)
Transfers out	<u>(148,940)</u>	<u>(148,940)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(31,380)</u></b>	<b><u>(75,240)</u></b>	<b><u>(43,860)</u></b>
Net Change in Fund Balances	1,150,420	(895,038)	(2,045,458)
Fund Balances, Beginning of Year	<u>1,462,175</u>	<u>1,462,175</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 2,612,595</u></b>	<b><u>\$ 567,137</u></b>	<b><u>\$ (2,045,458)</u></b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**CERTIFICATES OF PARTICIPATION SERIES 1993 DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 1	\$ 1
<b>Total Revenues</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Expenditures:</b>			
Debt service:			
Interest and fiscal charges	3,500	2,567	933
<b>Total Expenditures</b>	<b>3,500</b>	<b>2,567</b>	<b>933</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,500)	(2,566)	934
<b>Other Financing Sources (Uses):</b>			
Transfers in	3,500	2,500	(1,000)
<b>Total Other Financing Sources (Uses)</b>	<b>3,500</b>	<b>2,500</b>	<b>(1,000)</b>
Net Change in Fund Balances	-	(66)	(66)
Fund Balances, Beginning of Year	433,015	433,015	-
<b>Fund Balances, End of Year</b>	<b>\$ 433,015</b>	<b>\$ 432,949</b>	<b>\$ (66)</b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**PUBLIC SAFETY LEASE REVENUE BONDS 1997 DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 25,229	\$ 25,229
<b>Total Revenues</b>	<b>-</b>	<b>25,229</b>	<b>25,229</b>
<b>Expenditures:</b>			
Debt service:			
Principal retirement	160,000	160,000	-
Interest and fiscal charges	242,284	242,284	-
<b>Total Expenditures</b>	<b>402,284</b>	<b>402,284</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(402,284)	(377,055)	25,229
<b>Other Financing Sources (Uses):</b>			
Transfers in	400,283	400,283	-
<b>Total Other Financing Sources (Uses)</b>	<b>400,283</b>	<b>400,283</b>	<b>-</b>
Net Change in Fund Balances	(2,001)	23,228	25,229
Fund Balances, Beginning of Year	718,618	718,618	-
<b>Fund Balances, End of Year</b>	<b>\$ 716,617</b>	<b>\$ 741,846</b>	<b>\$ 25,229</b>

**CITY OF MORENO VALLEY**  
**BUDGETARY COMPARISON SCHEDULE**  
**LEASE REVENUE BONDS 2005 DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 197,556	\$ 197,556
<b>Total Revenues</b>	<u>-</u>	<u>197,556</u>	<u>197,556</u>
<b>Expenditures:</b>			
Debt service:			
Interest and fiscal charges	1,758,995	1,758,995	-
Bond issuance costs	<u>225,545</u>	<u>225,545</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,984,540</u>	<u>1,984,540</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,984,540)</u>	<u>(1,786,984)</u>	<u>197,556</u>
<b>Other Financing Sources (Uses):</b>			
Issuance of debt	5,564,893	5,564,893	-
Transfers in	<u>1,024,790</u>	<u>4,779,652</u>	<u>3,754,862</u>
<b>Total Other Financing Sources (Uses)</b>	<u>6,589,683</u>	<u>10,344,545</u>	<u>3,754,862</u>
Net Change in Fund Balances	4,605,143	8,557,561	3,952,418
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 4,605,143</u>	<u>\$ 8,557,561</u>	<u>\$ 3,952,418</u>

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## **INTERNAL SERVICE FUNDS**

### **General Liability Insurance Fund**

This fund is used to account for the costs of maintaining the City's general liability insurance program, on a reimbursement basis through charges to benefiting funds; and maintaining responsible reserves based on current actuarial assumptions.

### **Worker's Compensation Insurance Fund**

This fund is used to account for the costs of maintaining the City worker's compensation insurance program, on a reimbursement basis through charges to benefiting funds; and maintaining responsible reserves based on current actuarial assumptions.

### **Technology Service Fund**

This fund is used to account for the costs of maintaining and replacing the City's information systems including major software, hardware, radios, telephones, and the City's backbone telecommunications infrastructure. The fund recovers costs through charges to benefiting funds.

### **Central Services Fund**

This fund is used to account for the costs of centralized receiving and distribution of mail and purchased goods. The fund recovers costs through charges to benefiting funds.

### **Graphic Support Fund**

This fund is used to account for the costs of citywide graphics support. The fund recovers costs through charges to benefiting funds.

### **City Hall Facility Fund**

This fund is used to account for the costs of maintaining all City-owned and leased buildings. Its user charges include the recovery of both depreciation on the City Hall building and debt service on the 1997 variable rate Certificates of Participation originally issued in 1995 to finance the acquisition of the building.

### **Equipment Maintenance Fund**

This fund is used to account for the maintenance costs of the City's inventory of vehicles and equipment, on a cost reimbursement basis through user charges to benefiting funds.

### **Equipment Replacement Reserve Fund**

This fund is used to account for the accumulation of cash reserves to replace City vehicles and capital equipment, based on replacement cost and useful life. The reserve receives cash through user charges for each fund's share of annual depreciation; and provides cash as a funding source to participating funds for capital replacement.

CITY OF MORENO VALLEY

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

June 30, 2006

	<u>Liability Insurance</u>	<u>Worker's Compensation</u>	<u>Technology Services</u>
<b>Assets:</b>			
Current:			
Cash and investments	\$ 3,288,984	\$ 1,836,494	\$ 5,791,245
Receivables:			
Accounts	1,657	29,658	47
Due from other funds	-	-	-
Prepaid costs	-	-	-
Inventories	-	-	-
	<u>3,290,641</u>	<u>1,866,152</u>	<u>5,791,292</u>
<b>Total Current Assets</b>			
Noncurrent:			
Capital assets - net of accumulated depreciation	-	-	1,481,597
	<u>3,290,641</u>	<u>1,866,152</u>	<u>7,272,889</u>
<b>Total Assets</b>			
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 58,964	\$ 429	\$ 230,171
Accrued payroll payable	13,552	18,017	131,747
Due to other funds	-	-	-
	<u>72,516</u>	<u>18,446</u>	<u>361,918</u>
<b>Total Current Liabilities</b>			
Long-Term:			
Self-insurance payable	1,428,000	1,805,000	-
	<u>1,500,516</u>	<u>1,823,446</u>	<u>361,918</u>
<b>Total Liabilities</b>			
<b>Net Assets:</b>			
Invested in capital assets	-	-	1,481,597
Unrestricted	1,790,125	42,706	5,429,374
	<u>1,790,125</u>	<u>42,706</u>	<u>6,910,971</u>
<b>Total Net Assets</b>			
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,290,641</u>	<u>\$ 1,866,152</u>	<u>\$ 7,272,889</u>

<u>Central Services</u>	<u>Graphic Support</u>	<u>City Hall Facility</u>	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Totals</u>
\$ 30,335	\$ 39,136	\$ 3,454,602	\$ -	\$ 11,028,030	\$ 25,468,826
-	-	333	-	-	31,695
-	-	-	-	210,645	210,645
30,896	-	-	-	-	30,896
14,541	-	-	7,116	-	21,657
<u>75,772</u>	<u>39,136</u>	<u>3,454,935</u>	<u>7,116</u>	<u>11,238,675</u>	<u>25,763,719</u>
40,797	13,872	7,553,473	152,089	1,912,564	11,154,392
<u>116,569</u>	<u>53,008</u>	<u>11,008,408</u>	<u>159,205</u>	<u>13,151,239</u>	<u>36,918,111</u>
\$ 41,828	\$ 8,921	\$ 269,696	\$ 61,812	\$ -	\$ 671,821
4,368	9,736	65,629	23,207	-	266,256
-	-	-	210,645	-	210,645
<u>46,196</u>	<u>18,657</u>	<u>335,325</u>	<u>295,664</u>	<u>-</u>	<u>1,148,722</u>
-	-	-	-	-	3,233,000
<u>46,196</u>	<u>18,657</u>	<u>335,325</u>	<u>295,664</u>	<u>-</u>	<u>4,381,722</u>
40,797	13,872	7,553,473	152,089	1,912,564	11,154,392
29,576	20,479	3,119,610	(288,548)	11,238,675	21,381,997
<u>70,373</u>	<u>34,351</u>	<u>10,673,083</u>	<u>(136,459)</u>	<u>13,151,239</u>	<u>32,536,389</u>
<u>\$ 116,569</u>	<u>\$ 53,008</u>	<u>\$ 11,008,408</u>	<u>\$ 159,205</u>	<u>\$ 13,151,239</u>	<u>\$ 36,918,111</u>

**CITY OF MORENO VALLEY**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2006**

	<u>General Liability</u>	<u>Worker's Compensation</u>	<u>Technology Services</u>	<u>Central Services</u>
<b>Operating Revenues:</b>				
Sales and service charges	\$ 879,282	\$ 901,325	\$ 5,010,522	\$ 312,388
Miscellaneous	<u>2,176</u>	<u>46,335</u>	<u>7,152</u>	<u>-</u>
<b>Total Operating Revenues</b>	<b><u>881,458</u></b>	<b><u>947,660</u></b>	<b><u>5,017,674</u></b>	<b><u>312,388</u></b>
<b>Operating Expenses:</b>				
Cost of services	396,307	320,727	2,917,382	305,759
Self-insurance claims and charges	839,709	869,812	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>539,301</u>	<u>6,424</u>
<b>Total Operation Expenses</b>	<b><u>1,236,016</u></b>	<b><u>1,190,539</u></b>	<b><u>3,456,683</u></b>	<b><u>312,183</u></b>
Operating Income (Loss)	<u>(354,558)</u>	<u>(242,879)</u>	<u>1,560,991</u>	<u>205</u>
Income (Loss) Before Transfers	(354,558)	(242,879)	1,560,991	205
Transfers in	-	-	1,080,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(354,558)	(242,879)	2,640,991	205
<b>Net Assets:</b>				
Beginning of Fiscal Year	<u>2,144,683</u>	<u>285,585</u>	<u>4,269,980</u>	<u>70,168</u>
<b>Net assets at end of year</b>	<b><u>\$ 1,790,125</u></b>	<b><u>\$ 42,706</u></b>	<b><u>\$ 6,910,971</u></b>	<b><u>\$ 70,373</u></b>

<u>Graphic Support</u>	<u>City Hall Facility</u>	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Total</u>
\$ 263,058	\$ 3,525,485	\$ 576,291	\$ 1,790,981	\$ 13,259,332
-	2,134	-	324,917	382,714
<u>263,058</u>	<u>3,527,619</u>	<u>576,291</u>	<u>2,115,898</u>	<u>13,642,046</u>
244,966	2,387,676	753,836	-	7,326,653
-	-	-	-	1,709,521
-	93,543	30,331	493,221	1,162,820
<u>244,966</u>	<u>2,481,219</u>	<u>784,167</u>	<u>493,221</u>	<u>10,198,994</u>
18,092	1,046,400	(207,876)	1,622,677	3,443,052
18,092	1,046,400	(207,876)	1,622,677	3,443,052
-	195,000	-	-	1,275,000
-	(788,500)	-	(463,994)	(1,252,494)
18,092	452,900	(207,876)	1,158,683	3,465,558
16,259	10,220,183	71,417	11,992,556	29,070,831
<u>\$ 34,351</u>	<u>\$ 10,673,083</u>	<u>\$ (136,459)</u>	<u>\$ 13,151,239</u>	<u>\$ 32,536,389</u>

CITY OF MORENO VALLEY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General Liability Insurance</u>	<u>Worker's Compensation</u>	<u>Technology Services</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 1,233,554	\$ 878,937	\$ 5,084,799
Cash payments to suppliers for goods and services	(191,879)	(135,495)	(1,652,878)
Cash payments for claims	(839,709)	(625,812)	-
Cash payments to employees for services	(149,162)	(186,180)	(1,252,693)
Other operating revenues (expenses)	2,176	46,335	7,152
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>54,980</u>	<u>(22,215)</u>	<u>2,186,380</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash transfers from other funds	-	-	1,080,000
Cash transfers to other funds	-	-	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>-</u>	<u>-</u>	<u>1,080,000</u>
<b>Cash Flows from Capital and Related financing activities:</b>			
Acquisition and construction of capital assets	-	-	(353,205)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>-</u>	<u>-</u>	<u>(353,205)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	54,980	(22,215)	2,913,175
Cash and Cash Equivalents at Beginning of Year	3,234,004	1,858,709	2,878,070
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 3,288,984</u>	<u>\$ 1,836,494</u>	<u>\$ 5,791,245</u>
<b>Reconciliation of Change in Net Assets to Net Cash provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (354,558)	\$ (242,879)	\$ 1,560,991
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	539,301
(Increase) decrease in accounts receivable	(728)	(22,388)	17
(Increase) decrease in prepaids	233	-	1,164
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accounts payable	47,985	(10,028)	73,096
Increase (decrease) in other accrued liabilities	7,048	9,080	11,811
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in self-insurance payable	355,000	244,000	-
<b>Total Adjustments</b>	<u>409,538</u>	<u>220,664</u>	<u>625,389</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 54,980</u>	<u>\$ (22,215)</u>	<u>\$ 2,186,380</u>

**Schedule of Noncash Investing, Capital and Noncapital Financing Activities:**

There were no noncash investing, capital and noncapital financing activities for the year ended June 30, 2006.

<u>Central Services</u>	<u>Graphic Support</u>	<u>City Hall Facility</u>	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Totals</u>
\$ 312,388	\$ 263,058	\$ 3,525,496	\$ 576,291	\$ 1,790,981	\$ 13,665,504
(160,021)	(86,322)	(1,513,440)	(307,659)	(231,712)	(4,279,406)
-	-	-	-	-	(1,465,521)
(122,032)	(155,697)	(690,129)	(231,020)	-	(2,786,913)
-	-	2,134	-	324,917	382,714
<b><u>30,335</u></b>	<b><u>21,039</u></b>	<b><u>1,324,061</u></b>	<b><u>37,612</u></b>	<b><u>1,884,186</u></b>	<b><u>5,516,378</u></b>
-	-	195,000	-	(463,994)	811,006
-	-	(788,500)	-	-	(788,500)
-	-	<b><u>(593,500)</u></b>	-	<b><u>(463,994)</u></b>	<b><u>22,506</u></b>
-	(13,872)	(259,735)	(37,612)	(386,072)	(1,050,496)
-	<b><u>(13,872)</u></b>	<b><u>(259,735)</u></b>	<b><u>(37,612)</u></b>	<b><u>(386,072)</u></b>	<b><u>(1,050,496)</u></b>
30,335	7,167	470,826	-	1,034,120	4,488,388
-	31,969	2,983,776	-	9,993,910	20,980,438
<b><u>\$ 30,335</u></b>	<b><u>\$ 39,136</u></b>	<b><u>\$ 3,454,602</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,028,030</u></b>	<b><u>\$ 25,468,826</u></b>
\$ 205	\$ 18,092	\$ 1,046,400	\$ (207,876)	\$ 1,622,677	\$ 3,443,052
6,424	-	93,543	30,331	493,221	1,162,820
-	-	11	-	-	(23,088)
(1,141)	-	-	114	-	370
741	-	-	7,099	-	7,840
37,405	3,055	181,035	25,237	(21,067)	336,718
(8,188)	(108)	3,072	(1,135)	-	21,580
(5,111)	-	-	183,842	(210,645)	(31,914)
-	-	-	-	-	599,000
<b><u>30,130</u></b>	<b><u>2,947</u></b>	<b><u>277,661</u></b>	<b><u>245,488</u></b>	<b><u>261,509</u></b>	<b><u>2,073,326</u></b>
<b><u>\$ 30,335</u></b>	<b><u>\$ 21,039</u></b>	<b><u>\$ 1,324,061</u></b>	<b><u>\$ 37,612</u></b>	<b><u>\$ 1,884,186</u></b>	<b><u>\$ 5,516,378</u></b>

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## INTERNAL SERVICE FUNDS

### **General Liability Insurance Fund**

This fund is used to account for the costs of maintaining the City's general liability insurance program, on a reimbursement basis through charges to benefiting funds; and maintaining responsible reserves based on current actuarial assumptions.

### **Worker's Compensation Insurance Fund**

This fund is used to account for the costs of maintaining the City worker's compensation insurance program, on a reimbursement basis through charges to benefiting funds; and maintaining responsible reserves based on current actuarial assumptions.

### **Technology Service Fund**

This fund is used to account for the costs of maintaining and replacing the City's information systems including major software, hardware, radios, telephones, and the City's backbone telecommunications infrastructure. The fund recovers costs through charges to benefiting funds.

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This fund is used to account for the costs of centralized receiving and distribution of mail and purchased goods. The fund recovers costs through charges to benefiting funds.

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This fund is used to account for the costs of citywide graphics support. The fund recovers costs through charges to benefiting funds.

### **City Hall Facility Fund**

This fund is used to account for the costs of maintaining all City-owned and leased buildings. Its user charges include the recovery of both depreciation on the City Hall building and debt service on the 1997 variable rate Certificates of Participation originally issued in 1995 to finance the acquisition of the building.

### **Equipment Maintenance Fund**

This fund is used to account for the maintenance costs of the City's inventory of vehicles and equipment, on a cost reimbursement basis through user charges to benefiting funds.

### **Equipment Replacement Reserve Fund**

This fund is used to account for the accumulation of cash reserves to replace City vehicles and capital equipment, based on replacement cost and useful life. The reserve receives cash through user charges for each fund's share of annual depreciation; and provides cash as a funding source to participating funds for capital replacement.

CITY OF MORENO VALLEY

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

June 30, 2006

	<u>Liability Insurance</u>	<u>Worker's Compensation</u>	<u>Technology Services</u>
<b>Assets:</b>			
Current:			
Cash and investments	\$ 3,288,984	\$ 1,836,494	\$ 5,791,245
Receivables:			
Accounts	1,657	29,658	47
Due from other funds	-	-	-
Prepaid costs	-	-	-
Inventories	-	-	-
	<u>3,290,641</u>	<u>1,866,152</u>	<u>5,791,292</u>
<b>Total Current Assets</b>			
Noncurrent:			
Capital assets - net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>1,481,597</u>
	<u>3,290,641</u>	<u>1,866,152</u>	<u>7,272,889</u>
<b>Total Assets</b>			
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 58,964	\$ 429	\$ 230,171
Accrued payroll payable	13,552	18,017	131,747
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
	<u>72,516</u>	<u>18,446</u>	<u>361,918</u>
<b>Total Current Liabilities</b>			
Long-Term:			
Self-insurance payable	<u>1,428,000</u>	<u>1,805,000</u>	<u>-</u>
	<u>1,500,516</u>	<u>1,823,446</u>	<u>361,918</u>
<b>Total Liabilities</b>			
<b>Net Assets:</b>			
Invested in capital assets	-	-	1,481,597
Unrestricted	<u>1,790,125</u>	<u>42,706</u>	<u>5,429,374</u>
	<u>1,790,125</u>	<u>42,706</u>	<u>6,910,971</u>
<b>Total Net Assets</b>			
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,290,641</u>	<u>\$ 1,866,152</u>	<u>\$ 7,272,889</u>

<u>Central Services</u>	<u>Graphic Support</u>	<u>City Hall Facility</u>	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Totals</u>
\$ 30,335	\$ 39,136	\$ 3,454,602	\$ -	\$ 11,028,030	\$ 25,468,826
-	-	333	-	-	31,695
-	-	-	-	210,645	210,645
30,896	-	-	-	-	30,896
14,541	-	-	7,116	-	21,657
<u>75,772</u>	<u>39,136</u>	<u>3,454,935</u>	<u>7,116</u>	<u>11,238,675</u>	<u>25,763,719</u>
40,797	13,872	7,553,473	152,089	1,912,564	11,154,392
<u>116,569</u>	<u>53,008</u>	<u>11,008,408</u>	<u>159,205</u>	<u>13,151,239</u>	<u>36,918,111</u>
\$ 41,828	\$ 8,921	\$ 269,696	\$ 61,812	\$ -	\$ 671,821
4,368	9,736	65,629	23,207	-	266,256
-	-	-	210,645	-	210,645
<u>46,196</u>	<u>18,657</u>	<u>335,325</u>	<u>295,664</u>	<u>-</u>	<u>1,148,722</u>
-	-	-	-	-	3,233,000
<u>46,196</u>	<u>18,657</u>	<u>335,325</u>	<u>295,664</u>	<u>-</u>	<u>4,381,722</u>
40,797	13,872	7,553,473	152,089	1,912,564	11,154,392
29,576	20,479	3,119,610	(288,548)	11,238,675	21,381,997
<u>70,373</u>	<u>34,351</u>	<u>10,673,083</u>	<u>(136,459)</u>	<u>13,151,239</u>	<u>32,536,389</u>
<u>\$ 116,569</u>	<u>\$ 53,008</u>	<u>\$ 11,008,408</u>	<u>\$ 159,205</u>	<u>\$ 13,151,239</u>	<u>\$ 36,918,111</u>

**CITY OF MORENO VALLEY**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2006**

	<u>General Liability</u>	<u>Worker's Compensation</u>	<u>Technology Services</u>	<u>Central Services</u>
<b>Operating Revenues:</b>				
Sales and service charges	\$ 879,282	\$ 901,325	\$ 5,010,522	\$ 312,388
Miscellaneous	<u>2,176</u>	<u>46,335</u>	<u>7,152</u>	<u>-</u>
<b>Total Operating Revenues</b>	<b><u>881,458</u></b>	<b><u>947,660</u></b>	<b><u>5,017,674</u></b>	<b><u>312,388</u></b>
<b>Operating Expenses:</b>				
Cost of services	396,307	320,727	2,917,382	305,759
Self-insurance claims and charges	839,709	869,812	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>539,301</u>	<u>6,424</u>
<b>Total Operation Expenses</b>	<b><u>1,236,016</u></b>	<b><u>1,190,539</u></b>	<b><u>3,456,683</u></b>	<b><u>312,183</u></b>
Operating Income (Loss)	<u>(354,558)</u>	<u>(242,879)</u>	<u>1,560,991</u>	<u>205</u>
Income (Loss) Before Transfers	(354,558)	(242,879)	1,560,991	205
Transfers in	-	-	1,080,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(354,558)	(242,879)	2,640,991	205
<b>Net Assets:</b>				
Beginning of Fiscal Year	<u>2,144,683</u>	<u>285,585</u>	<u>4,269,980</u>	<u>70,168</u>
<b>Net assets at end of year</b>	<b><u>\$ 1,790,125</u></b>	<b><u>\$ 42,706</u></b>	<b><u>\$ 6,910,971</u></b>	<b><u>\$ 70,373</u></b>

<u>Graphic Support</u>	<u>City Hall Facility</u>	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Total</u>
\$ 263,058	\$ 3,525,485	\$ 576,291	\$ 1,790,981	\$ 13,259,332
<u>-</u>	<u>2,134</u>	<u>-</u>	<u>324,917</u>	<u>382,714</u>
<b><u>263,058</u></b>	<b><u>3,527,619</u></b>	<b><u>576,291</u></b>	<b><u>2,115,898</u></b>	<b><u>13,642,046</u></b>
244,966	2,387,676	753,836	-	7,326,653
-	-	-	-	1,709,521
<u>-</u>	<u>93,543</u>	<u>30,331</u>	<u>493,221</u>	<u>1,162,820</u>
<b><u>244,966</u></b>	<b><u>2,481,219</u></b>	<b><u>784,167</u></b>	<b><u>493,221</u></b>	<b><u>10,198,994</u></b>
<u>18,092</u>	<u>1,046,400</u>	<u>(207,876)</u>	<u>1,622,677</u>	<u>3,443,052</u>
18,092	1,046,400	(207,876)	1,622,677	3,443,052
-	195,000	-	-	1,275,000
<u>-</u>	<u>(788,500)</u>	<u>-</u>	<u>(463,994)</u>	<u>(1,252,494)</u>
18,092	452,900	(207,876)	1,158,683	3,465,558
<u>16,259</u>	<u>10,220,183</u>	<u>71,417</u>	<u>11,992,556</u>	<u>29,070,831</u>
<b><u>\$ 34,351</u></b>	<b><u>\$ 10,673,083</u></b>	<b><u>\$ (136,459)</u></b>	<b><u>\$ 13,151,239</u></b>	<b><u>\$ 32,536,389</u></b>

CITY OF MORENO VALLEY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	General Liability Insurance	Worker's Compensation	Technology Services
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 1,233,554	\$ 878,937	\$ 5,084,799
Cash payments to suppliers for goods and services	(191,879)	(135,495)	(1,652,878)
Cash payments for claims	(839,709)	(625,812)	-
Cash payments to employees for services	(149,162)	(186,180)	(1,252,693)
Other operating revenues (expenses)	2,176	46,335	7,152
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>54,980</b>	<b>(22,215)</b>	<b>2,186,380</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash transfers from other funds	-	-	1,080,000
Cash transfers to other funds	-	-	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>1,080,000</b>
<b>Cash Flows from Capital and Related financing activities:</b>			
Acquisition and construction of capital assets	-	-	(353,205)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(353,205)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	54,980	(22,215)	2,913,175
Cash and Cash Equivalents at Beginning of Year	3,234,004	1,858,709	2,878,070
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,288,984</b>	<b>\$ 1,836,494</b>	<b>\$ 5,791,245</b>
<b>Reconciliation of Change in Net Assets to Net Cash provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (354,558)	\$ (242,879)	\$ 1,560,991
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	539,301
(Increase) decrease in accounts receivable	(728)	(22,388)	17
(Increase) decrease in prepaids	233	-	1,164
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accounts payable	47,985	(10,028)	73,096
Increase (decrease) in other accrued liabilities	7,048	9,080	11,811
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in self-insurance payable	355,000	244,000	-
<b>Total Adjustments</b>	<b>409,538</b>	<b>220,664</b>	<b>625,389</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 54,980</b>	<b>\$ (22,215)</b>	<b>\$ 2,186,380</b>

**Schedule of Noncash Investing, Capital and Noncapital Financing Activities:**

There were no noncash investing, capital and noncapital financing activities for the year ended June 30, 2006.

<u>Central Services</u>	<u>Graphic Support</u>	<u>City Hall Facility</u>	<u>Equipment Maintenance</u>	<u>Equipment Replacement</u>	<u>Totals</u>
\$ 312,388	\$ 263,058	\$ 3,525,496	\$ 576,291	\$ 1,790,981	\$ 13,665,504
(160,021)	(86,322)	(1,513,440)	(307,659)	(231,712)	(4,279,406)
-	-	-	-	-	(1,465,521)
(122,032)	(155,697)	(690,129)	(231,020)	-	(2,786,913)
-	-	2,134	-	324,917	382,714
<b><u>30,335</u></b>	<b><u>21,039</u></b>	<b><u>1,324,061</u></b>	<b><u>37,612</u></b>	<b><u>1,884,186</u></b>	<b><u>5,516,378</u></b>
-	-	195,000	-	(463,994)	811,006
-	-	(788,500)	-	-	(788,500)
-	-	<b><u>(593,500)</u></b>	-	<b><u>(463,994)</u></b>	<b><u>22,506</u></b>
-	(13,872)	(259,735)	(37,612)	(386,072)	(1,050,496)
-	<b><u>(13,872)</u></b>	<b><u>(259,735)</u></b>	<b><u>(37,612)</u></b>	<b><u>(386,072)</u></b>	<b><u>(1,050,496)</u></b>
30,335	7,167	470,826	-	1,034,120	4,488,388
-	31,969	2,983,776	-	9,993,910	20,980,438
<b><u>\$ 30,335</u></b>	<b><u>\$ 39,136</u></b>	<b><u>\$ 3,454,602</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,028,030</u></b>	<b><u>\$ 25,468,826</u></b>
\$ 205	\$ 18,092	\$ 1,046,400	\$ (207,876)	\$ 1,622,677	\$ 3,443,052
6,424	-	93,543	30,331	493,221	1,162,820
-	-	11	-	-	(23,088)
(1,141)	-	-	114	-	370
741	-	-	7,099	-	7,840
37,405	3,055	181,035	25,237	(21,067)	336,718
(8,188)	(108)	3,072	(1,135)	-	21,580
(5,111)	-	-	183,842	(210,645)	(31,914)
-	-	-	-	-	599,000
<b><u>30,130</u></b>	<b><u>2,947</u></b>	<b><u>277,661</u></b>	<b><u>245,488</u></b>	<b><u>261,509</u></b>	<b><u>2,073,326</u></b>
<b><u>\$ 30,335</u></b>	<b><u>\$ 21,039</u></b>	<b><u>\$ 1,324,061</u></b>	<b><u>\$ 37,612</u></b>	<b><u>\$ 1,884,186</u></b>	<b><u>\$ 5,516,378</u></b>

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## **FIDUCIARY FUNDS**

### **AGENCY FUNDS:**

#### **Deposit Liability Fund**

This fund is used to account for miscellaneous deposits collected by the City.

#### **Assessment District 87-4 Fund**

This fund is used to account for the receipt and remittance of special assessments for the Assessment District 87-4 Limited Obligation Improvement Bonds. The bonds are not secured by the general taxing power of the City, the State of California or any other political subdivision thereof, and neither the City nor the State, nor any potential subdivision thereof, has pledged its full faith and credit for the payment thereof.

#### **Assessment District 98-1 Fund**

This fund is used to account for the receipt and remittance of special assessments for the Assessment District 98-1 Limited Obligation Improvement Bonds. All property owners except one paid their fees upfront.

#### **TUMF Trust Fund**

This fund is used to account for the receipt of the Transportation Uniform Mitigation Fees (TUMF) and their remittance to the Western Riverside Council of Governments (WRCOG).

#### **MSHCP Trust Fund**

This fund is used to account for the receipt of the Multi-Species Habitat Conservation Plan (MSHCP) fees and their remittance to the Western Riverside County Regional Conservation Agency (WRCRCA).

CITY OF MORENO VALLEY  
 COMBINING BALANCE SHEET  
 ALL AGENCY FUNDS  
 JUNE 30, 2006

	<u>Deposit Liability</u>	<u>Assessment District 87-4</u>	<u>Assessment District 98-1</u>
<b>Assets:</b>			
Cash and investments	\$ 7,255,600	\$ 67,038	\$ 44
Receivables (net of allowance for uncollectibles):			
Accounts	48,288	-	-
Interest	-	3,611	-
Due from other governments	-	4,588	-
Restricted assets:			
Cash and investments with fiscal agents	-	900,857	-
<b>Total Assets</b>	<b><u>\$ 7,303,888</u></b>	<b><u>\$ 976,094</u></b>	<b><u>\$ 44</u></b>
 <b>Liabilities:</b>			
Accounts payable	\$ 137,103	\$ 245,686	\$ 44
Accrued liabilities	2,354	-	-
Deposits	7,164,431	-	-
Payable to trustee	-	730,408	-
<b>Total Liabilities</b>	<b><u>\$ 7,303,888</u></b>	<b><u>\$ 976,094</u></b>	<b><u>\$ 44</u></b>

<u>TUMF Trust</u>	<u>MSHCP Trust</u>	<u>Totals</u>
\$ 7,756,310	\$ 1,126,189	\$ 16,205,181
-	-	48,288
-	-	3,611
-	26,416	31,004
-	-	900,857
<u>\$ 7,756,310</u>	<u>\$ 1,152,605</u>	<u>\$ 17,188,941</u>
\$ -	\$ -	\$ 382,833
-	-	2,354
7,756,310	1,152,605	16,073,346
-	-	730,408
<u>\$ 7,756,310</u>	<u>\$ 1,152,605</u>	<u>\$ 17,188,941</u>

CITY OF MORENO VALLEY

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b><u>Deposit Liability</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 8,482,112	\$ 11,922,469	\$ 13,148,981	\$ 7,255,600
Accounts receivable	52,988	184,955	189,655	48,288
Due from other governments	9,061	-	9,061	-
<b>Total Assets</b>	<b>\$ 8,544,161</b>	<b>\$ 12,107,424</b>	<b>\$ 13,347,697</b>	<b>\$ 7,303,888</b>
<b>Liabilities:</b>				
Accounts payable	\$ 153,742	\$ 1,430,472	\$ 1,447,111	\$ 137,103
Other accrued liabilities	4,772	14,620	17,038	2,354
Deposits payable	8,385,647	9,567,791	10,789,007	7,164,431
<b>Total Liabilities</b>	<b>\$ 8,544,161</b>	<b>\$ 11,012,883</b>	<b>\$ 12,253,156</b>	<b>\$ 7,303,888</b>
<b><u>Assessment District 87-5</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 67,565	\$ 566,259	\$ 566,786	\$ 67,038
Cash and investments held by trustee	851,037	568,290	518,470	900,857
Interest receivable	1,986	3,611	1,986	3,611
Due from other governments	31,131	4,588	31,131	4,588
<b>Total Assets</b>	<b>\$ 951,719</b>	<b>\$ 1,142,748</b>	<b>\$ 1,118,373</b>	<b>\$ 976,094</b>
<b>Liabilities:</b>				
Advances from other funds	\$ 245,686	\$ -	\$ -	\$ 245,686
Payable to trustee	706,033	553,065	528,690	730,408
<b>Total Liabilities</b>	<b>\$ 951,719</b>	<b>\$ 553,065</b>	<b>\$ 528,690</b>	<b>\$ 976,094</b>
<b><u>Assessment District 98-2</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 94	\$ -	\$ 50	\$ 44
<b>Total Assets</b>	<b>\$ 94</b>	<b>\$ -</b>	<b>\$ 50</b>	<b>\$ 44</b>
<b>Liabilities:</b>				
Accounts payable	\$ 94	\$ -	\$ 50	\$ 44
<b>Total Liabilities</b>	<b>\$ 94</b>	<b>\$ -</b>	<b>\$ 50</b>	<b>\$ 44</b>

CITY OF MORENO VALLEY

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
(Continued)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b><u>TUMF Trust</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,255,980	\$ 20,088,473	\$ 15,588,143	\$ 7,756,310
Due from other governments	292,600	-	292,600	-
<b>Total Assets</b>	<b><u>\$ 3,548,580</u></b>	<b><u>\$ 20,088,473</u></b>	<b><u>\$ 15,880,743</u></b>	<b><u>\$ 7,756,310</u></b>
<b>Liabilities:</b>				
Accounts payable	-	12,892,322	12,892,322	-
Deposits payable	3,548,580	20,645,380	16,437,650	7,756,310
<b>Total Liabilities</b>	<b><u>\$ 3,548,580</u></b>	<b><u>\$ 33,537,702</u></b>	<b><u>\$ 29,329,972</u></b>	<b><u>\$ 7,756,310</u></b>
<b><u>MSHCP Trust</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,481,171	\$ 3,374,816	\$ 3,729,798	\$ 1,126,189
Due from other governments	26,416	-	-	26,416
<b>Total Assets</b>	<b><u>\$ 1,507,587</u></b>	<b><u>\$ 3,374,816</u></b>	<b><u>\$ 3,729,798</u></b>	<b><u>\$ 1,152,605</u></b>
<b>Liabilities:</b>				
Accounts payable	-	3,425,553	3,425,553	-
Deposits payable	1,507,587	3,459,392	3,814,374	1,152,605
<b>Total Liabilities</b>	<b><u>\$ 1,507,587</u></b>	<b><u>\$ 6,884,945</u></b>	<b><u>\$ 7,239,927</u></b>	<b><u>\$ 1,152,605</u></b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 13,286,922	\$ 35,952,017	\$ 33,033,758	\$ 16,205,181
Cash and investments held by trustee	851,037	568,290	518,470	900,857
Accounts receivable	52,988	184,955	189,655	48,288
Interest receivable	1,986	3,611	1,986	3,611
Due from other governments	359,208	4,588	332,792	31,004
<b>Total Assets</b>	<b><u>\$ 14,552,141</u></b>	<b><u>\$ 36,713,461</u></b>	<b><u>\$ 34,076,661</u></b>	<b><u>\$ 17,188,941</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 153,836	\$ 17,748,347	\$ 17,765,036	\$ 137,147
Other accrued liabilities	4,772	14,620	17,038	2,354
Deposits payable	13,441,814	33,672,563	31,041,031	16,073,346
Advances from other funds	245,686	-	-	245,686
Payable to trustee	706,033	553,065	528,690	730,408
<b>Total Liabilities</b>	<b><u>\$ 14,552,141</u></b>	<b><u>\$ 51,988,595</u></b>	<b><u>\$ 49,351,795</u></b>	<b><u>\$ 17,188,941</u></b>

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**CITY OF MORENO VALLEY  
SCHEDULE OF GENERAL CAPITAL ASSETS  
BY FUNCTION AND ACTIVITY  
JUNE 30, 2006**

	<u>Land</u>	<u>CIP</u>	<u>Buildings and Improvements</u>
<b>Function and Activity:</b>			
<b>General Government:</b>			
City Council	\$ -	\$ -	\$ -
Administrative & Policy	-	-	-
City Clerk	-	-	-
Economic Development	-	-	-
City Attorney	-	-	-
Communications	-	-	-
Human Resources	-	-	-
Finance	-	-	-
Other- Unclassified	48,118,466	-	63,398
<b>Total General Government</b>	<b>48,118,466</b>	<b>-</b>	<b>63,398</b>
<b>Public Safety:</b>			
Police	-	-	8,094,912
Fire	347,900	-	6,750,758
Animal Control	-	-	3,040,333
Volunteer Services	-	-	15,937
<b>Total Public Safety</b>	<b>347,900</b>	<b>-</b>	<b>17,901,940</b>
Public Works	248,120,894	15,228,178	-
Community Development	-	-	-
Community Services District	-	-	59,992,766
Redevelopment Agency	7,179,757	-	-
Internal Service Funds	-	284,435	9,857,361
<b>Total</b>	<b>255,300,651</b>	<b>15,512,613</b>	<b>69,850,127</b>
<b>Grand Total</b>	<b>\$ 303,767,017</b>	<b>\$ 15,512,613</b>	<b>\$ 87,815,465</b>

<u>Furnitures &amp; Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -
9,255	14,994	-	24,249
-	-	-	-
-	-	-	-
12,068	-	-	12,068
97,399	84,428	-	181,827
16,467	-	-	16,467
12,237	-	-	12,237
36,832	-	-	48,218,696
<u>184,258</u>	<u>99,422</u>	<u>-</u>	<u>48,465,544</u>
635,941	848,428	-	9,579,281
462,142	1,117,378	-	8,678,178
168,753	190,545	-	3,399,631
8,657	86,036	-	110,629
<u>1,275,493</u>	<u>2,242,387</u>	<u>-</u>	<u>21,767,719</u>
682,302	1,914,298	330,272,423	596,218,095
100,166	359,215	-	459,381
1,564,450	466,115	-	62,023,331
-	-	-	7,179,757
<u>5,362,342</u>	<u>2,774,793</u>	<u>148,003</u>	<u>18,426,934</u>
<u>7,709,260</u>	<u>5,514,421</u>	<u>330,420,426</u>	<u>684,307,498</u>
<u>\$ 9,169,011</u>	<u>\$ 7,856,230</u>	<u>\$ 330,420,426</u>	<u>\$ 754,540,762</u>

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

<u>Contents</u>	<u>Page #</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	145-149
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the city's ability to generate its key revenues	150-153
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future	154-157
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and help make comparisons over time and with other governments.	158-160
<b>Operating Information</b> These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	161-162

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Moreno Valley  
Net Assets by Component,  
Last two fiscal years  
(accrual basis of accounting)

	<u>Fiscal Year</u>	
	<u>2005</u>	<u>2006</u>
<u>Governmental activities</u>		
Invested in capital assets, net of related debt	\$ 475,642,146	\$520,264,660
Restricted for:		
Community development projects	6,404,249	11,788,528
Public safety	2,649,176	12,471,009
Capital projects	47,442,301	41,096,454
Debt service	21,673,132	45,132,414
Permanent funds-nonexpendable	-	59,359
Unrestricted	46,215,255	51,582,962
Total Governmental activities net assets	<u>\$ 600,026,259</u>	<u>\$682,395,386</u>
<u>Business-type activities</u>		
Invested in capital assets, net of related debt	\$ 1,815,311	\$ 18,151,135
Restricted	-	-
Unrestricted	(799,941)	(3,713,053)
Total Business-type activities net assets	<u>\$ 1,015,370</u>	<u>\$ 14,438,082</u>
<u>Primary government</u>		
Invested in capital assets, net of related debt	\$ 477,457,457	\$538,415,795
Restricted for:		
Community development projects	6,404,249	11,788,528
Public safety	2,649,176	12,471,009
Capital projects	47,442,301	41,096,454
Debt service	21,673,132	45,132,414
Permanent funds-nonexpendable	-	59,359
Unrestricted	45,415,314	47,869,909
Total primary government net assets	<u>\$ 601,041,629</u>	<u>\$696,833,468</u>

**Note:** The city began to report accrual information when it implemented GASB Statement 34 in Fiscal Year 2003.

City of Moreno Valley  
Change in Net Assets  
Last two fiscal years  
(accrual basis of accounting)

	Fiscal Year	
	<u>2005</u>	<u>2006</u>
Expenses		
Governmental activities:		
General government	\$ 18,583,987	\$ 12,817,483
Public safety	42,797,971	47,282,305
Community development	10,041,715	13,666,378
Community and cultural	14,132,146	15,999,800
Public works	11,352,870	10,273,707
Interest on long-term debt	5,514,358	8,079,935
Total Governmental activities expenses	<u>102,423,047</u>	<u>108,119,608</u>
Business-type activities:		
Electric	<u>1,080,589</u>	<u>3,673,509</u>
Total business-type activities expenses	<u>1,080,589</u>	<u>3,673,509</u>
Total primary government expenses	<u>\$ 103,503,636</u>	<u>\$ 111,793,117</u>
Program revenues		
Governmental activities:		
Charges for services:		
General government	\$ 1,855,342	\$ 2,447,730
Public safety	1,158,745	2,040,725
Community development	10,814,238	12,576,280
Community and cultural	9,012,514	10,067,509
Public works	14,639,669	20,523,959
Operating contributions and grants:		
General government	2,121,229	422,310
Public safety	773,875	838,921
Community development	1,586,824	3,252,611
Community and cultural	68,396	133,325
Public works	887,750	2,985,031
Capital contributions and grants		
Public works	<u>2,160,498</u>	<u>24,442,306</u>
Total governmental activities program revenues	<u>45,079,080</u>	<u>79,730,707</u>
Business-type activities:		
Electric	<u>1,356,555</u>	<u>11,445,287</u>
Total business-type activities program revenues	<u>1,356,555</u>	<u>11,445,287</u>
Total primary government program revenues	<u>46,435,635</u>	<u>91,175,994</u>

(Continued)

City of Moreno Valley  
Change in Net Assets (Continued)  
Last two fiscal years  
(accrual basis of accounting)

	Fiscal Year	
	<u>2005</u>	<u>2006</u>
Net (Expense)/Revenue		
Governmental activities	(57,343,967)	(28,388,901)
Business-type activities	275,966	7,771,778
Total primary government net (expense)/revenue	<u>\$ (57,068,001)</u>	<u>\$ (20,617,123)</u>
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes:		
Property taxes	\$ 19,678,253	\$ 18,001,808
Property taxes in lieu	8,644,834	12,068,070
Transient occupancy tax	519,193	582,307
Sales tax	18,054,078	12,275,626
Franchise taxes	3,791,547	4,099,859
Business license taxes	1,457,521	1,240,764
Utility users tax	12,527,514	13,811,740
Other taxes	4,497,323	5,448,829
Franchise in lieu taxes	9,699	42,788
Documentary transfer tax	1,391,199	1,548,205
Intergovernmental-motor vehicle in lieu, unrestricted	3,484,623	11,899,563
Use of property and money	5,295,415	6,959,412
Miscellaneous	5,435,103	1,820,976
Transfers	(16,857)	(1,257,370)
Total governmental activities	<u>84,769,445</u>	<u>88,542,577</u>
Business-type activities		
Other	589,027	-
Transfers	16,857	1,257,370
Total business-type activities	<u>605,884</u>	<u>1,257,370</u>
Total primary government	<u>\$ 85,375,329</u>	<u>\$ 89,799,947</u>
Change in Net Assets		
Government activities	27,425,478	60,153,676
Business-type activities	881,850	9,029,148
Total primary government	<u>\$ 28,307,328</u>	<u>\$ 69,182,824</u>

City of Moreno Valley  
Fund Balances, Governmental Funds  
Last four fiscal years  
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	1,739,505	6,654,472	6,052,320	11,808,994
Unreserved	13,760,886	11,943,948	24,992,976	25,920,111
Total General Fund	<u>15,500,391</u>	<u>18,598,420</u>	<u>31,045,296</u>	<u>37,729,105</u>
All Other Funds				
Reserved	20,129,052	26,685,317	21,994,729	49,040,215
Unreserved reported in:				
Special revenue funds	26,948,201	37,493,168	44,049,195	30,050,829
Capital projects funds	18,703,575	(6,891,945)	(2,959,368)	44,796,758
Debt service funds	-	4,304,047	917,262	949,518
Permanent funds	-	-	-	59,359
Total all other funds	<u>65,780,828</u>	<u>61,590,587</u>	<u>64,001,818</u>	<u>124,896,679</u>

City of Moreno Valley  
Changes in Fund Balances, Governmental Funds  
Last Four Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenue				
Taxes	\$ 40,776,674	\$ 46,216,887	\$ 54,463,821	\$ -
Property tax	-	-	-	14,342,099
Property taxes in lieu	-	-	-	12,068,070
Utility taxes	-	-	-	13,811,740
Sales taxes	-	-	-	12,275,627
Other taxes	-	-	-	16,622,460
Assessments	82,842	41,683	-	-
Licenses, fees and permits	4,945,682	8,868,460	12,159,692	13,041,187
Charges for services	19,933,502	26,874,096	25,755,085	18,574,210
Intergovernmental	26,201,103	20,164,244	27,037,053	33,213,048
Use of property and money	3,187,073	1,571,485	4,438,468	7,199,105
Fines and forfeitures	942,411	929,813	1,097,508	1,205,173
Miscellaneous	1,921,073	1,393,391	4,078,406	2,652,320
<b>Total revenues</b>	<b>97,990,360</b>	<b>106,060,059</b>	<b>129,030,033</b>	<b>145,005,039</b>
Expenditures				
General government	12,009,132	8,937,124	14,983,932	10,723,374
Public Safety	29,024,897	32,300,542	36,806,865	43,478,949
Community development	6,235,962	6,790,803	8,711,599	24,608,096
Community and cultural	7,761,494	11,492,361	12,331,683	14,889,677
Public works	11,826,893	8,724,368	9,999,497	21,262,923
Capital outlay	12,746,605	14,647,639	19,885,754	-
Debt service				
Principal retirement	3,770,781	20,472,246	2,723,847	2,896,585
Interest and fiscal charges	5,267,169	5,897,812	5,381,740	7,334,361
Bond issuance costs	-	-	-	664,638
<b>Total expenditures</b>	<b>88,642,933</b>	<b>109,262,895</b>	<b>110,824,917</b>	<b>125,858,603</b>
Excess of revenues over/ (under) expenditures	9,347,427	(3,202,836)	18,205,116	19,146,436
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	48,205,000
Transfers in	15,442,256	13,058,959	24,871,852	37,201,043
Transfers out	(14,606,672)	(12,125,059)	(24,165,709)	(38,480,919)
Premium on debt issued	-	-	-	570,840
Discount on debt issued	-	-	-	(385,640)
Payment to refunded bond escrow agents	-	-	(5,006,586)	-
Other debts issued	1,200,669	1,199,343	250,767	-
<b>Total other financing sources (uses)</b>	<b>2,036,253</b>	<b>2,133,243</b>	<b>(4,049,676)</b>	<b>47,110,324</b>
<b>Net change in fund balances</b>	<b>11,383,680</b>	<b>(1,069,593)</b>	<b>14,155,440</b>	<b>66,256,760</b>
Debt service as a percentage of noncapital expenditures	6.94%	6.23%	5.92%	6.36%

City of Moreno Valley  
Key Revenues  
Last Six Fiscal Years

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Utility Users Tax	\$ 7,758,480	\$ 8,755,772	\$ 9,078,814	\$ 9,718,667	\$ 10,980,848	\$ 12,527,514	\$ 13,811,740
Property Tax	4,714,663	5,098,438	5,192,833	5,710,105	6,354,247	7,680,082	14,342,099
Property Tax In-Lieu of VLF	-	-	-	-	-	8,644,834	12,068,070
Vehicle License In-Lieu Fees	7,061,247	7,879,602	8,459,660	9,239,894	7,283,124	3,478,877	1,275,342
Sales Tax	6,244,153	6,929,184	7,194,055	8,171,861	9,100,608	8,696,776	12,275,627
Property Tax In-Lieu of Sales Tax	-	-	-	-	-	3,057,018	2,694,451
Development Services	1,600,636	1,876,496	4,186,830	5,478,729	7,992,934	10,968,374	12,584,645

Notes:

In 2004 due to budget constraints the State of California discontinued the back-fill of the Vehicle In-Lieu fees which accounted for approximately two-thirds of the total amount paid to local government. In 2005 this "gap" amount was repaid to local agencies which for the City of Moreno Valley amounted to \$2,547,036.

The FY 03/04 State of California budget withheld a portion of the Vehicle License Fee backfill owed to cities. Under the terms of the borrowing the VLF gap loan, as is known, was to be repaid in FY 06/07. The City of Moreno Valley, along with a number of other cities, sold the rights to the receivable to a third party, California Communities, in order to receive the cash on a more timely basis. The agreement resulted in the city receiving a discounted amount of \$2,347,317 of the original receivable amount of \$2,547,036 in FY 04/05

Source: City of Moreno Valley Finance Department

City of Moreno Valley  
 Tax Revenues by Source, Governmental Funds  
 (modified accrual basis of accounting)

Fiscal Year	Property Tax In-Lieu of VLF		Utility Users	Sales & Use	Occupancy	Franchise	Motor Vehicle In-Lieu	Business License Gross Receipt		Documentary Transfer	Total
	Property	VLF						License	Gross Receipt		
2003	\$5,710,105	-	\$ 9,718,667	\$8,171,861	\$ 358,530	\$ 3,253,708	\$ 9,239,894	\$ 806,462	\$ 599,128	\$ 37,858,355	
2004	6,354,247	-	10,980,848	9,100,608	455,009	3,599,485	7,283,124 (1)	920,928	1,055,205	\$ 39,749,454	
2005	7,230,082	8,644,834 (2)	12,527,514	11,753,794	519,193	3,791,546	987,036 (2)	1,059,009	1,391,200	\$ 47,904,208	
2006	14,342,099	12,068,070	13,811,740	12,275,627	582,307	4,142,646	1,275,342	1,240,764	1,548,205	\$ 61,286,800	
Change 2003 to 2006	151.00% (3)	100.00% (3)	42.00% (3)	50.00% (3)	62.00%	27.00%	-86.00%	54.00%	158.00%	62.00%	

(1) In 2004 the governor discontinued the back-fill of the Vehicle License Fee In-Lieu.

(2) In 2005 the governor instituted the "triple-flip" which changed the funding source for VLF to the ERAF fund and changed the allocation of funds to cities from a per capita computation to the change in the assessed valuation of property.

(3) Property Tax, Property Tax In-Lieu of VLF, Utility Users Tax and Sales Tax revenues have experienced significant levels of growth due to the high level of development of both residential and commercial being experienced within the city.

City of Moreno Valley  
 Primary Own Source Revenue  
 Revenue Rates and Revenue Base  
 Past Two Years

	Fiscal Year		
	2005		2006
	<u>Gross Revenue</u>	<u>Tax Rate</u>	<u>Gross Revenue</u>
Electricity	\$ 55,987,237	7.00%	\$ 65,877,299
Wireless Telecom	46,094,839	7.00%	49,388,109
Wired Telecom	15,076,704	7.00%	14,960,699
Natural Gas	24,505,861	7.00%	26,629,324
Cable TV	10,839,435	7.00%	11,436,036
Water	26,398,709	7.00%	28,929,258
Total Gross Revenue Subject to Tax	<u>\$ 178,902,785</u>		<u>\$ 197,220,724</u>

Note: In 1996 voters passed a utility users tax which applied a standard tax rate of 7% to the gross revenues generated by service providers related to the use of electric, telephone, natural gas and cable television services within the city. This is a single flat rate with no sub-components

City of Moreno Valley  
 Primary Own Source Revenue  
 Principal Revenue Payors by Market Sector

	Fiscal Year	
	<u>2005</u>	<u>2006</u>
Electricity	\$3,919,107	\$4,611,411
Wireless Telecom	3,226,639	3,457,168
Wired Telecom	1,055,369	1,047,249
Natural Gas	1,715,410	1,864,053
Cable TV	758,760	800,523
Water	1,847,910	2,025,048
	<u>\$12,523,195</u>	<u>\$13,805,451</u>

Source: City of Moreno Valley Finance Department

Note: Tax data at the payor level is considered to be confidential in nature and as such is not provided to the taxing entity.

City of Moreno Valley  
Direct and Overlapping Debt

Fiscal Year 2005/06 Assessed Valuation	\$ 9,237,071,863
Redevelopment Incremental Valuation	1,149,579,293
Adjusted Assessed Valuation	<u>\$10,386,651,156</u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Total Debt <u>6/30/2006</u>	% <u>applicable</u>	City's Share of <u>Debt 6/30/06</u>
Metropolitan Water District	\$ 389,565,000	0.553%	\$ 2,154,294
Eastern Municipal Water District I.D. No U-3	225,000	99.380	223,605
Eastern Municipal Water District I.D. No U-13	875,000	100.000	875,000
Eastern Municipal Water District I.D. No U-22	3,200,000	100.000	3,200,000
Riverside Community College District	66,936,109	16.339	10,936,691
Moreno Valley Unified School District	49,999,946	94.491	47,245,449
San Jacinto Unified School District	3,673,784	0.531	19,508
Moreno Valley Unified School District Community Facilities District No. 88-1	17,220,000	100.000	17,220,000
Moreno Valley Unified School District Community Facilities District No. 2002-1	8,780,000	100.000	8,780,000
Moreno Valley Unified School District Community Facilities District No. 2003-1	7,325,000	100.000	7,325,000
Moreno Valley Unified School District Community Facilities District No. 2003-2	3,715,000	100.000	3,715,000
Moreno Valley Unified School District Community Facilities District No. 2004-1	3,155,000	100.000	3,155,000
Moreno Valley Unified School District Community Facilities District No. 2004-2	5,580,000	100.000	5,580,000
Moreno Valley Unified School District Community Facilities District No. 2004-5	5,000,000	100.000	5,000,000
Moreno Valley Unified School District Community Facilities District No. 2004-6	27,935,000	100.000	27,935,000
Val Verde Unified School District Community Facilities District No. 98-1	32,460,000	100.000	32,460,000
Val Verde Unified School District Community Facilities District No. 2003-1	2,925,000	100.000	2,925,000
Eastern Municipal Water District Community Facilities District No. 2003-16	4,130,000	100.000	4,130,000
Eastern Municipal Water District Community Facilities District No. 2003-20	1,800,000	100.000	1,800,000
City of Moreno Valley 1915 Act Bonds	1,610,000	100.000	1,610,000
City of Moreno Valley Community Facilities District No. 3	5,680,000	100.000	5,680,000
City of Moreno Valley Community Facilities District No. 87-1 and I.A. No. 1	17,665,000	100.000	17,665,000
Riverside County Flood Control District 1915 Act Bonds	230,000	100.000	230,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 209,864,547</u>
Less: Moreno Valley Community Facilities District No. 87-1 (100% self-supporting from tax increment revenues)			13,610,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 196,254,547</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Riverside County General Fund Obligations	630,525,566	6.555%	\$ 41,330,951
Riverside County Pension Obligations	396,845,000	6.555	26,013,190
Riverside County Board of Education Certificates of Participation	11,240,000	6.555	736,782
Mt. San Jacinto Community College District General Fund Obligations	7,480,000	0.017	1,272
Moreno Valley Unified School District Certificates of Participation	26,785,000	94.491	25,309,414
Val Verde Unified School District Certificates of Participation	94,645,000	44.97	42,561,857
Other School Districts Certificates of Participation	47,495,000	Various	252,198
City of Moreno Valley General Fund Obligations	62,770,000	100.000	62,770,000 (1)
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 198,975,664</u>
Less: Riverside County self-supporting obligations			1,284,196
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 197,691,468</u>
GROSS COMBINED TOTAL DEBT			\$ 408,840,211 (2)
NET COMBINED DEBT			\$ 393,946,015

Notes:

- (1) Percentage of each overlapping agencies assessed valuation located within the boundaries of the city.  
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

Ratios to FY 2005-06 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt	2.27%
Total Net Overlapping Tax and Assessment Debt	2.12%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$62,770,000)	0.78%
Gross Combined Total Debt	5.06%
Net Combined Total Debt	4.87%

State School Building Aid Repayable as of 6/30/06 \$ -

City of Moreno Valley  
 Legal Debt Margin  
 (dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2006	
Assessed Value	\$9,376,210
Debt Limit (15% of assessed value)	1,406,431
Debt applicable to limit:	
General Obligation Bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>\$ -</u>

	Fiscal Year	
	2005	2006
Assessed Valuation	\$ 7,468,221	\$ 9,376,210
Conversion percentage	25%	25%
Adjusted assessed valuation	\$ 1,867,055	\$ 2,344,052
Debt limit percentage	15%	15%
Debt Limit	\$ 280,058	\$ 351,608
Total net debt applicable to limit	\$ -	\$ -
Legal debt margin	\$ 280,058	\$ 351,608
Total net debt applicable to the limit as a percentage of the debt limit	\$ -	\$ -

City of Moreno Valley  
Ratios of Outstanding Debt by Type

Fiscal Year Ende June 30	Governmental Activities						Total Primary Government	Percentage of Personal Income	Debt per Capita
	Special Tax Bonds	Certificates of Participation	Lease Revenue Bonds	Notes and Other					
2005	\$ 25,130,000	\$ 7,625,000	\$ 4,590,000	\$ 4,660,558		\$ 42,005,558	0.08%	\$ 241	
2006	23,345,000	7,115,000	52,635,000	4,866,378		87,961,378	0.18%	\$ 504	

Notes:

1) These ratios are calculated using personal income and population for the prior year.

Source: City of Moreno Valley Finance Department  
Riverside County Economic Development Agency

City of Moreno Valley  
Ratio of Bonded Debt

Fiscal Year Ended June 30,	Special Tax	Certificates of	Lease Revenue	Total	Percent of	Per Capita
	Bonds	Participation	Bonds		Assessed Value (1)	
2005	\$25,130,000	\$ 7,625,000	\$ 4,590,000	\$37,345,000	0.50%	\$ 226
2006	23,345,000	7,115,000	52,635,000	83,095,000	0.89%	476

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which the City has none).

1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California

City of Moreno Valley  
 Demographic and Economic Statistics  
 Current Year

Calendar Year	Population <sup>1</sup>	Personal Income (in thousands) <sup>2,A</sup>	Per Capita Personal Income <sup>2,A</sup>	Unemployment Rate <sup>2</sup>
2005	<u>174,565</u>	<u>49,443,185</u>	<u>26,440</u>	<u>5.20%</u>

Source: 1- California Department of Finance

2-California Employment Development Department

Notes: A-This data represents data for Riverside County

City of Moreno Valley  
Principal Employers  
Current Year

<u>Employer</u>	<u>Sector</u>	<u>Business Type</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
March Air Reserve Base	Military/Public Sector	Military Reserve Base	9,167	16.25%
Moreno Valley Unified School District	Public Sector	Public Schools	3,447	6.11%
Riverside County Regional Medical Center	Medical Facilities	County Hospital	2,400	4.25%
Val Verde Unified School District	Public Sector	Public Schools	1,402	2.48%
Moreno Valley Mall at Towngate	Retail	Retail Mall	1,000	1.77%
Thor California	Manufacturing	R.V. Manufacturer	691	1.22%
Walgreens Company	Distribution	Retail Merchandise	600	1.06%
City of Moreno Valley/Police/Fire Depts	Public Sector	Municipal Government	564	1.00%
Riverside Community College/Moreno Valley Campus	Public Sector	Higher Education	515	0.91%
Riverside County DPSS	Public Sector	Social Services	430	0.76%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: City of Moreno Valley Economic Development Department  
Riverside County Economic Development Agency

City of Moreno Valley  
 Full-time and Part-time City Employees by Function  
 Past Two Years

Function	Fiscal Year	
	2005	2006
General Government	140	142
Public Works	106	114
Community Development	56	70
Parks and Recreation	91	104
Animal Services	19	22
Redevelopment Agency	18	14
Public Safety (1)	265	279
Total	<u>695</u>	<u>745</u>

(1) The City contracts with the County of Riverside for Police and Fire services

Source: City of Moreno Valley Finance Department

City of Moreno Valley  
 Operating Indicators by Function  
 Last Two Fiscal Years

	<u>2005</u>	<u>2,006</u>
Square mileage of area	50	50
Fire protection:		
Provided by the County of Riverside in cooperation with the State Department of Forestry and Fire:		
Sworn personnel	71	73
Volunteers	50	30
Non-sworn personnel	7	7
Responses to emergency calls	12,162	12,155
Inspections and Permits	5,358	5,257
Plan checks	1,647	1,442
School life safety inspections	2	13
Counter/Public inquires	2,456	5,172
Police protection:		
Provided through contract with the County of Riverside Sheriff's Department:		
Sworn officers	147	162
Classified personnel	45.5	47.5
City support personnel	3.0	3.5
Volunteers	99	30
Responses to emergency calls	33,197	34,323
Responses to non-emergency calls	36,709	36,278
Routine Calls	19,240	20,831
Building and Safety:		
Building permits issued	4,999	4,608
Counter requests for service	13,426	14,289
Planning:		
Planning applications processed	1,840	1,440
Counter requests for service	8,696	10,191
Recreation and culture:		
Rounds of golf played	17,027	17,453
Facility rentals	1,438	2,148
Participants in recreation programs	34,479	48,027
Utilities:		
Average residential daily consumption (kilowatt hours)	11.5	14.4
Average commercial daily consumption (kilowatt hours)	61.1	219.1
New residential connections	1,753	1,620
New commercial connections	64	215

City of Moreno Valley  
 Capital Asset Statistics  
 Last Two Fiscal Years

	<u>2005</u>	<u>2006</u>
Lane miles of streets	-	1,081
Number of street lights	9,771	10,041
Number of traffic signals	126	138
Fire protection:		
Number of stations	6	6
Police protection:		
Number of neighborhood policing/report writing stations	3	3
Recreation and culture:		
Parks	29	32
Maintained acreage of parks	353	377
Parks under construction	2	1
Acreage of parks under construction	24	1.3
Multi-use athletic fields	21	21
Conference/Recreation centers	1	1
Square footage of recreation centers	42,413	42,413
Senior Centers	1	1
Square footage of senior centers	14,700	14,700
Equestrian centers	1	1
Maintained acreage of equestrian centers	45	45
Multi-use equestrian trails maintained	7 Miles	8 Miles
Community centers	4	4
Square footage of community centers	38,758	38,758
Sports courts	44	44
Skate parks/Roller hockey rinks	1	1
Square footage of skate parks	850	850
Nine-hole golf courses	1	1
Play apparatus	23	23
Water play features	2	2
Utilities:		
Residential utility meters	1,807	3,327
Commercial utility meters	67	279

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**REDEVELOPMENT AGENCY OF THE  
CITY OF MORENO VALLEY, CALIFORNIA**

**FINANCIAL AND COMPLIANCE REPORT**

**YEAR ENDED JUNE 30, 2006**



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**REDEVELOPMENT AGENCY OF THE  
CITY OF MORENO VALLEY**

**June 30, 2006**

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Board of Directors  
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 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, 2006, 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 Redevelopment Agency of the City of Moreno Valley. Our responsibility is to express an opinion 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 Redevelopment Agency of the City of Moreno Valley at June 30, 2006, 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 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  
Redevelopment Agency of the City of Moreno Valley  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2007 on our consideration of the 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 McLean P.C.*

Irvine, California  
January 30, 2007

## REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

## STATEMENT OF NET ASSETS

JUNE 30, 2006

	<u>Governmental Activities</u>	
<b>Assets:</b>		
Cash and investments	\$	17,229,967
Receivables:		
Accounts	\$	264,891
Interest		64,562
Loans		<u>6,372,376</u>
Total Receivables		6,701,829
Due from other governments		294,861
Advances to the City of Moreno Valley		317,999
Nondepreciated capital assets		
Land	7,179,757	
Depreciable capital assets		
Building	<u>11,503,946</u>	
Total Capital Assets		<u>18,683,703</u>
<b>Total Assets</b>		<b><u>43,228,359</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses		1,068,013
Due to other governments		1,350,783
Other current liabilities		95,925
Long-term liabilities:		
Due within one year	200,000	
Due in more than one year	<u>32,279,932</u>	
Total Long-Term Liabilities		<u>32,479,932</u>
<b>Total Liabilities</b>		<b><u>34,994,653</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt		18,546,530
Restricted for:		
Low & Moderate Housing		15,295,134
Unrestricted (deficit)		<u>(25,607,958)</u>
<b>Total Net Assets</b>	<b>\$</b>	<b><u>8,233,706</u></b>

See Notes to the Basic Financial Statements

## REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
<b>Governmental Activities:</b>					
General government	\$ 1,164,534	\$ -	\$ -	\$ -	\$ (1,164,534)
Community development	3,985,331	-	-	-	(3,985,331)
Interest on long-term debt	1,900,411	-	-	-	(1,900,411)
<b>Total Governmental Activities</b>	<b>\$ 7,050,276</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(7,050,276)</b>

**General Revenues:**

Taxes (net of pass-through payments)	6,434,589
Intergovernmental	878,106
Use of money and property	544,674
<b>Total General Revenues</b>	<b>7,857,369</b>
Change in Net Assets	807,093
Net Assets at Beginning of Year	6,685,359
Restatement of Net Assets	741,254
<b>Net Assets at End of Year</b>	<b>\$ 8,233,706</b>

See Notes to the Basic Financial Statements

**REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY  
GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2006

	<u>Capital Projects</u>		<u>Total Governmental Funds</u>
	<u>Moreno Valley Redevelopment Project</u>	<u>Moreno Valley Redevelopment Project Low and Moderate Housing</u>	
<b>Assets:</b>			
Cash and investments	\$ 7,656,837	\$ 9,573,130	\$ 17,229,967
Receivables:			
Accounts	-	264,891	264,891
Interest	-	64,562	64,562
Loans	-	6,372,376	6,372,376
Due from other governments	294,861	-	294,861
Advances to City	317,999	-	317,999
	<u>317,999</u>	<u>-</u>	<u>317,999</u>
<b>Total Assets</b>	<b><u>\$ 8,269,697</u></b>	<b><u>\$ 16,274,959</u></b>	<b><u>\$ 24,544,656</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 144,216	\$ 923,797	\$ 1,068,013
Due to other governments	1,350,783	-	1,350,783
Deferred revenue	-	64,562	64,562
Accrued payroll	39,897	56,028	95,925
	<u>39,897</u>	<u>56,028</u>	<u>95,925</u>
<b>Total Liabilities</b>	<b><u>1,534,896</u></b>	<b><u>1,044,387</u></b>	<b><u>2,579,283</u></b>
<b>Fund Balances:</b>			
Reserved:			
Encumbrances	392,921	9,280,939	9,673,860
Long Term Receivables	-	6,372,376	6,372,376
Advances to City	317,999	-	317,999
Unreserved:			
Designated:			
Continuing Projects	1,166,738	-	1,166,738
Undesignated	4,857,143	(422,743)	4,434,400
	<u>4,857,143</u>	<u>(422,743)</u>	<u>4,434,400</u>
<b>Total Fund Balances</b>	<b><u>6,734,801</u></b>	<b><u>15,230,572</u></b>	<b><u>21,965,373</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 8,269,697</u></b>	<b><u>\$ 16,274,959</u></b>	<b><u>\$ 24,544,656</u></b>

See Notes to the Basic Financial Statements

REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

Fund balances of governmental funds	\$ 21,965,373
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	18,683,703
Deferred revenue is present in governmental fund financial statements to indicate that receivables are not available currently; however, in the Statement of Net Assets these deferrals are eliminated.	64,562
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Developer loans	(2,818,937)
Loans from City	<u>(29,660,995)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 8,233,706</u></b>

**REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY  
GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**

**YEAR ENDED JUNE 30, 2006**

	Capital Projects		Total Governmental Funds
	Moreno Valley Redevelopment Project	Moreno Valley Redevelopment Project	
	Project	Low and Moderate Housing	
<b>Revenues:</b>			
Taxes and assessments	\$ 11,232,908	\$ 2,673,012	\$ 13,905,920
Use of money and property	270,059	274,615	544,674
Other revenue	734,494	121,264	855,758
<b>Total Revenues</b>	<b>12,237,461</b>	<b>3,068,891</b>	<b>15,306,352</b>
<b>Expenditures:</b>			
Current:			
General government	345,006	819,528	1,164,534
Public Safety	-	58,000	58,000
Community development	15,296,979	271,471	15,568,450
Debt service:			
Interest expense	1,900,411	-	1,900,411
Long-term debt repayments	1,368,429	-	1,368,429
<b>Total Expenditures</b>	<b>18,910,825</b>	<b>1,148,999</b>	<b>20,059,824</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(6,673,364)</b>	<b>1,919,892</b>	<b>(4,753,472)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from advances	13,776,495	-	13,776,495
Pass-through agreement payments	(6,788,921)	-	(6,788,921)
Payment to Educational Revenue Augmentation Fund	(682,410)	-	(682,410)
<b>Total Other Financing Sources (Uses)</b>	<b>6,305,164</b>	<b>-</b>	<b>6,305,164</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ (368,200)</b>	<b>\$ 1,919,892</b>	<b>\$ 1,551,692</b>
<b>Fund Balances:</b>			
Beginning of Year	\$ 7,103,001	\$ 13,310,680	\$ 20,413,681
<b>Net Change in Fund Balances</b>	<b>(368,200)</b>	<b>1,919,892</b>	<b>1,551,692</b>
<b>End of Year</b>	<b>\$ 6,734,801</b>	<b>\$ 15,230,572</b>	<b>\$ 21,965,373</b>

See Notes to the Basic Financial Statements

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

YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ 1,551,692
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the statement of activities because:	
Governmental funds report capital outlay as expenditures. However in the statement of activities the cost of those assets is capitalized and allocated over their useful lives through depreciation expense.	137,173
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	(904,120)
Collections on receivables and loan transactions offset by deferred revenue are reported as revenue and expenditures in governmental funds; however, they do not provide revenue or expenses in the Statement of Activities.	<u>22,348</u>
<b>Changes in net assets of governmental activities</b>	<b><u>\$ 807,093</u></b>

**REDEVELOPMENT AGENCY OF THE  
CITY OF MORENO VALLEY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
Year Ended June 30, 2006**

**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of the Reporting Entity**

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

Reporting Entity:

Primary Government:

City of Moreno Valley

Component Units:

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 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 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).

Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, defines 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

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

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

**a. Description of the Reporting Entity (Continued)**

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 GASB Statement No. 14, 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.

**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 nonfiduciary 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.

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

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

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

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 90 days of the end of the current fiscal period. 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.

The Agency reports the following major governmental funds:

The Project Fund accounts for the tax increment received, and the debt service and rehabilitation expenditures made by the Agency.

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

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.

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

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

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

**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 is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 90 days) to be used to pay liabilities of the current period. The County of Riverside collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. 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.

**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.

**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.

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

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

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

In accordance with GASB Statement No. 34, the Agency is required to report general infrastructure assets. The Agency does not own any infrastructure capital assets except for land and building for the year ended June 30, 2006.

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. 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.

**II. STEWARDSHIP**

**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.

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

**Note 2: Stewardship, Compliance and Accountability (Continued)**

Reported budget amounts represent the original legally adopted budget as amended. The City Council, acting as the Agency Board, 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 appropriations limit as imposed by Article XIIB 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 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.

**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.

**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	<u>\$17,229,967</u>
---	---------------------

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.

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

**Note 4: Long-Term Receivables**

Long-Term receivables of \$6,672,376 consist primarily of loans and advances for development purposes.

**Note 5: General Capital Assets**

A summary of changes in general capital assets follows:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
Non-Depreciable Assets:				
Land	\$7,042,584	\$ 137,173	\$ -	\$ 7,179,757
Depreciable Assets:				
Building	-	11,503,946	-	11,503,946
Total Capital Assets	<u>\$7,042,584</u>	<u>\$11,641,119</u>	<u>\$ -</u>	<u>\$18,683,703</u>

**Note 6: Advances from City**

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, 2006, accrued interest amounted to \$3,799,618. 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.

The Agency purchased improved property from the City – the Conference and Recreation Center. The purchase price was \$14,203,946. The loan note is \$11,503,946 after the initial payment of \$2,700,000. The term is 20 years with 12% simple interest. The Agency will make interest only annual payments with a balloon payment due at the end of the term.

**Note 7: Long-Term Liabilities**

- a. A description of the Agency's long-term liabilities outstanding as of June 30, 2006 is as follows:

Note Payable, Price Company

The Agency has recorded a long-term payable in the amount of \$2,462,131 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. At June 30, 2006, accrued interest amounted to \$356,806.

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

**Note 7: Long-Term Liabilities (Continued)**

b. The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Adjustments	Additions	Repayments	Balance June 30, 2006	Due Within One Year
<b>Moreno Valley Redevelopment Project</b>						
City Loans – Principal	\$13,467,077	\$ -	\$11,503,946	200,000	\$24,771,023	200,000
City Loans – Unpaid Interest	4,349,873	(741,254)	2,032,855	751,502	4,889,972	-
Price Company Note	2,462,131	-	-	-	2,462,131	-
Price Company matured interest	<u>534,039</u>	<u>-</u>	<u>239,694</u>	<u>416,927</u>	<u>356,806</u>	<u>-</u>
<b>Total</b>	<u>20,813,120</u>	<u>(741,254)</u>	<u>13,776,495</u>	<u>1,368,429</u>	<u>32,479,932</u>	<u>200,000</u>
<b>Total – All Project Areas</b>						
City Loans – Principal	\$13,467,077	\$ -	\$11,503,946	\$200,000	\$24,771,023	200,000
City Loans – Unpaid Interest	4,349,873	(741,254)	2,032,855	751,502	4,889,972	-
Developer Loans - Principal	2,462,131	-	-	-	2,462,131	-
Developer Loans - Unpaid Interest	<u>534,039</u>	<u>-</u>	<u>239,694</u>	<u>416,927</u>	<u>356,806</u>	<u>-</u>
<b>Total</b>	<u>\$20,813,120</u>	<u>(741,254)</u>	<u>13,776,495</u>	<u>1,368,429</u>	<u>\$32,479,932</u>	<u>200,000</u>
Net Long-term debt					<u>\$32,479,932</u>	

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

**IV. OTHER DISCLOSURES**

**Note 8: Long-Term Payable to the City of Moreno Valley**

The long-term payable to the City of Moreno Valley, totaling \$267,077 (exclusive of Towngate Regional Mall notes and the Conference and Recreation Center note – See Note 6), represents remaining monies borrowed in prior fiscal years by the Agency to finance redevelopment activities. The stated interest rate is commensurate with the rate paid by the State of California Local Agency Investment Fund. Repayment of the long-term payable is made when funds become available.

**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.

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

**Note 9: Commitments and Contingencies, (Continued)**

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 \$7 million. The County deducts its proportionate share from the Agency's remittances. The amount retained by the County is included in Other Financing Sources – Pass Through Agreement Payments in the financial statements. An additional amount of \$1,350,784 was not remitted to the County and has been 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 \$1,065,477.

**Community Facilities District No. 87-1 Agreement**

In connection with the issuance of the Community Facilities District No. 87-1 (CFD) Bonds, Series A and B, the City of Moreno Valley and 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.

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

**Note 9: Commitments and Contingencies, (Continued)**

Other Agreements

The Agency entered into an ownership participation agreement in February 2000 to fund, on a reimbursement basis, the cost of public infrastructure improvements required for a proposed 49,000 square-foot manufacturing facility. The Agency's commitment is not to exceed \$325,000 and is payable incrementally over five years ending in 2006, upon completion of the improvements and the manufacturing facility.

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.

**Note 10: Restatement to Beginning Net Assets**

During the year ended June 30, 2006, the city discovered that interest paid by the Community Redevelopment Agency on a City loan in FY 2005 had not been applied to the loan to reduce the accrued interest payable. To correct this oversight, an adjustment was made to increase the Community Redevelopment Agency's net assets at the beginning of the fiscal year.

	Government- <u>Wide</u>
Net assets at beginning of year, as previously reported	\$6,685,359
Adjustment to record interest on advances credited to prior year	<u>741,254</u>
Net assets at beginning of year, as restated	<u>\$7,426,613</u>

## REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

COMBINING PROJECT AREA BALANCE SHEET  
ALL DEBT SERVICE AND CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2006

	<u>Moreno Valley Redevelopment Project</u>		<u>TOTAL</u>
	<u>Capital Projects</u>		
	<u>Project</u>	<u>Low and Moderate Housing</u>	
<b>ASSETS</b>			
Cash and investments	\$ 7,656,837	\$ 9,573,130	\$ 17,229,967
Receivables:			
Accounts	-	264,891	264,891
Interest	-	64,562	64,562
Loans	-	6,372,376	6,372,376
Due from other governments	294,861	-	294,861
Advances to City	317,999	-	317,999
	<u>317,999</u>	<u>-</u>	<u>317,999</u>
<b>Total Assets</b>	<b><u>\$ 8,269,697</u></b>	<b><u>\$ 16,274,959</u></b>	<b><u>\$ 24,544,656</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 144,216	\$ 923,797	\$ 1,068,013
Due to other governments	1,350,783	-	1,350,783
Deferred revenue	-	64,562	64,562
Accrued payroll	39,897	56,028	95,925
	<u>39,897</u>	<u>56,028</u>	<u>95,925</u>
<b>Total Liabilities</b>	<b><u>1,534,896</u></b>	<b><u>1,044,387</u></b>	<b><u>2,579,283</u></b>
<b>Fund Balances:</b>			
Reserved:			
Encumbrances	392,921	9,280,939	9,673,860
Long Term Receivables	-	6,372,376	6,372,376
Advances to City	317,999	-	317,999
Unreserved:			
Designated:			
Continuing projects	1,166,738	-	1,166,738
Undesignated	4,857,143	(422,743)	4,434,400
	<u>4,857,143</u>	<u>(422,743)</u>	<u>4,434,400</u>
<b>Total Fund Balances</b>	<b><u>6,734,801</u></b>	<b><u>15,230,572</u></b>	<b><u>21,965,373</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 8,269,697</u></b>	<b><u>\$ 16,274,959</u></b>	<b><u>\$ 24,544,656</u></b>

## REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

COMBINING PROJECT AREA STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL DEBT SERVICE AND CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2006

	Moreno Valley Redevelopment Project		TOTAL Capital Projects Funds
	Capital Projects		
	Project	Low and Moderate Housing	
<b>Revenues:</b>			
Taxes and Assessments:			
Tax increment	\$ 10,692,050	\$ 2,673,012	\$ 13,365,062
Sales and use tax	540,858	-	540,858
Use of Money and Property:			
Interest income	270,059	274,615	544,674
Other Revenue:			
Miscellaneous revenue	734,494	121,264	855,758
<b>Total Revenues</b>	<b>12,237,461</b>	<b>3,068,891</b>	<b>15,306,352</b>
<b>Expenditures:</b>			
Current:			
General Government:			
Administrative costs	321,620	751,261	1,072,881
Professional services	23,386	68,267	91,653
Public Safety:			
Subsidy to low and moderate housing	-	58,000	58,000
Community Development:			
Project improvement costs	15,296,979	271,471	15,568,450
Debt Service:			
Interest expense	1,900,411	-	1,900,411
Long-term debt repayments	1,368,429	-	1,368,429
<b>Total Expenditures</b>	<b>18,910,825</b>	<b>1,148,999</b>	<b>20,059,824</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(6,673,364)</b>	<b>1,919,892</b>	<b>(4,753,472)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from advances	13,776,495	-	13,776,495
Pass through agreement payments	(6,788,921)	-	(6,788,921)
Payment to Educational Revenue Augmentation Fund	(682,410)	-	(682,410)
<b>Total Other Financing Sources (Uses)</b>	<b>6,305,164</b>	<b>-</b>	<b>6,305,164</b>
<b>Excess of Revenues and Other Sources over (under) Expenditures and Other Uses</b>	<b>(368,200)</b>	<b>1,919,892</b>	<b>1,551,692</b>
<b>Fund Balances</b>			
Beginning of Year	7,103,001	13,310,680	20,413,681
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(368,200)	1,919,892	1,551,692
<b>End of Year</b>	<b>\$ 6,734,801</b>	<b>\$ 15,230,572</b>	<b>\$ 21,965,373</b>

## REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

COMPUTATION OF LOW AND MODERATE  
INCOME HOUSING FUNDS  
EXCESS/SURPLUS

	Low and Moderate Housing Funds - All Project Areas July 1, 2005	Low and Moderate Housing Funds - All Project Areas July 1, 2006
Opening Fund Balance	\$ 13,310,680	\$ 15,230,572
Less Unavailable Amounts:		
Encumbrances (Section 33334.12 (g)(2))	(4,139,839)	(4,775,939)
Rehabilitation loans	<u>(6,401,132)</u>	<u>(6,372,376)</u>
	<u>(10,540,971)</u>	<u>(11,148,315)</u>
Available Low and Moderate Income Housing Funds	2,769,709	4,082,257
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2005 - 2006	-	2,673,192
2004 - 2005	1,943,785	1,943,785
2003 - 2004	1,500,061	1,500,061
2002 - 2003	1,215,754	1,215,574
2001 - 2002	<u>1,078,099</u>	<u>-</u>
<b>Total</b>	<u>\$ 5,737,699</u>	<u>\$ 7,332,612</u>
<b>Base Limitation</b>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>5,737,699</u>	<u>7,332,612</u>
<b>Computed Excess/Surplus</b>	<u>None</u>	<u>None</u>

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Board of Directors  
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 financial statements of the Redevelopment Agency of the City of Moreno Valley ("Agency") as of and for the year ended June 30, 2006 and have issued our report thereon dated January 30, 2007. 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 financial statements of the Agency are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended for the information of the Board of Directors, management of the 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 Melann P.C.*

Irvine, California  
January 30, 2007

**COMMUNITY SERVICES DISTRICT OF THE  
CITY OF MORENO VALLEY, CALIFORNIA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006  
(With Independent Auditors' Report Thereon)**

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COMMUNITY SERVICES DISTRICT OF THE  
CITY OF MORENO VALLEY, CALIFORNIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

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COMMUNITY SERVICES DISTRICT OF THE  
CITY OF MORENO VALLEY

FINANCIAL STATEMENTS

(Continued)

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

### **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 Community Services District of the City of Moreno Valley ("District") as of and for the year ended June 30, 2006, 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, 2006, and the respective changes in financial position and the respective budgetary comparison information for the special revenue funds 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 accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2007 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.

*Mayer Hoffman McCann P.C.*

Irvine, California  
January 30, 2007



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Board of Directors  
Community Services District  
City of 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 and each major fund of the Community Services District of the City of Moreno Valley (“District”) as of and for the year ended June 30, 2006, which collectively comprise Authority’s basic financial statements and have issued our report thereon dated January 30, 2007. 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 basic financial statements of the District 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 District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

*Mayer Holtzman Melann P.C.*

Irvine, California  
January 30, 2007

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments (note 2)	\$ 16,753,574
Receivables:	
Accounts	138,940
Due from other governments	1,274,521
Capital assets, net of accumulated depreciation: (note 3)	<u>26,612,574</u>
<b>Total Assets</b>	<u><u>\$ 44,779,609</u></u>
<b>Liabilities:</b>	
Accounts payable	\$ 824,384
Accrued liabilities	556,902
Due to other governments	6
Due to the City of Moreno Valley	8,526,993
Unearned revenue	148,456
Deposits payable	<u>99,959</u>
<b>Total Liabilities</b>	<u>10,156,700</u>
<b>Net Assets:</b>	
Investment in capital assets	26,612,574
Unrestricted	<u>8,010,335</u>
<b>Total Net Assets</b>	<u><u>\$ 34,622,909</u></u>

See Notes to Financial Statements.

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Contributions and Grants		
Governmental activities:					
Community and cultural	\$ 16,487,754	\$ 10,002,059	\$ 67,174	\$ -	\$ (6,418,521)
<b>Total governmental activities</b>	<b>\$ 16,487,754</b>	<b>\$ 10,002,059</b>	<b>\$ 67,174</b>	<b>\$ -</b>	<b>(6,418,521)</b>
<b>General Revenues and Transfers:</b>					
Property taxes					3,971,070
Fines and forfeiture					16,712
Use of money and property					211,127
Miscellaneous					143,502
Transfers from the City of Moreno Valley					842,144
<b>Total General Revenues and Transfers</b>					<b>5,184,555</b>
Change in Net Assets					(1,233,966)
Net assets, beginning					35,856,875
<b>Net assets, ending</b>					<b>\$ 34,622,909</b>

See Notes to Financial Statements.

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**COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>Special Revenue Funds</u>	
	<u>Zone A</u>	<u>Zone B</u>
	<u>Parks and Recreation</u>	<u>Residential Street Lights Administration</u>
<b>Assets:</b>		
Cash and investments	\$ 9,924,979	\$ 1,146,155
Receivables:		
Accounts	127,477	-
Due from other governments	<u>668,348</u>	<u>105,999</u>
<b>Total Assets</b>	<b><u>\$ 10,720,804</u></b>	<b><u>\$ 1,252,154</u></b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 263,379	\$ 68,491
Accrued liabilities	363,213	11,972
Due to the City of Moreno Valley	8,526,993	-
Deferred revenue	148,456	-
Deposits payable	99,959	-
Due to other governments	<u>6</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>9,402,006</u></b>	<b><u>80,463</u></b>
<b>Fund Balances:</b>		
Reserved:		
Reserved for encumbrances	54,839	500
Unreserved:		
Designated for continuing appropriations	114,004	51,112
Designated for contingencies	1,041,231	-
Designated for capital improvement projects	-	860,585
Undesignated	<u>108,724</u>	<u>259,494</u>
<b>Total Fund Balances</b>	<b><u>1,318,798</u></b>	<b><u>1,171,691</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 10,720,804</u></b>	<b><u>\$ 1,252,154</u></b>

See Notes to Financial Statements.

<u>Zone E</u>	<u>Zone L</u>	<u>Non-major</u>	<u>Totals</u>
<u>Extensive</u>	<u>Library</u>	<u>Governmental</u>	
<u>Landscaping</u>	<u>Service Fund</u>	<u>Funds</u>	
<u>Administrative</u>			
\$ 4,041,566	\$ 147,406	\$ 1,493,468	\$ 16,753,574
567	713	10,183	138,940
<u>156,207</u>	<u>166,666</u>	<u>177,301</u>	<u>1,274,521</u>
<u>\$ 4,198,340</u>	<u>\$ 314,785</u>	<u>\$ 1,680,952</u>	<u>\$ 18,167,035</u>
\$ 196,790	\$ 116,857	\$ 178,867	\$ 824,384
54,324	89,459	37,934	556,902
-	-	-	8,526,993
-	-	-	148,456
-	-	-	99,959
-	-	-	6
<u>251,114</u>	<u>206,316</u>	<u>216,801</u>	<u>10,156,700</u>
67,251	-	2,958	125,548
265,413	10,000	379,120	819,649
-	-	-	1,041,231
2,799,332	-	521,494	4,181,411
<u>815,230</u>	<u>98,469</u>	<u>560,579</u>	<u>1,842,496</u>
<u>3,947,226</u>	<u>108,469</u>	<u>1,464,151</u>	<u>8,010,335</u>
<u>\$ 4,198,340</u>	<u>\$ 314,785</u>	<u>\$ 1,680,952</u>	<u>\$ 18,167,035</u>

**COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**

**June 30, 2006**

Fund balances of governmental funds	\$ 8,010,335
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	49,412,603
Accumulated depreciation	<u>(22,800,029)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 34,622,909</u></u></b>

See Notes to Financial Statements.

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**COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006**

	<u>Special Revenue Funds</u>	
	<u>Zone A</u>	<u>Zone B</u>
	<u>Parks and Recreation</u>	<u>Residential Street Lights Administration</u>
<b>Revenues:</b>		
Property taxes	\$ 1,765,545	\$ 111,101
Property taxes in lieu	-	-
Intergovernmental	2,250	-
Charges for services	6,019,641	892,604
Use of money and property	39,443	29,940
Fines and forfeitures	-	-
Miscellaneous	129,005	-
<b>Total Revenues</b>	<u>7,955,884</u>	<u>1,033,645</u>
<b>Expenditures:</b>		
Current:		
Community and cultural	<u>7,976,145</u>	<u>1,017,424</u>
<b>Total Expenditures</b>	<u>7,976,145</u>	<u>1,017,424</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,261)</u>	<u>16,221</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in (Note 4)	-	-
Transfers out (Note 4)	-	-
Transfers from the City of Moreno Valley	451,608	-
Transfers to the City of Moreno Valley	<u>(86,000)</u>	<u>(17,216)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>365,608</u>	<u>(17,216)</u>
Net Change in Fund Balances	345,347	(995)
Fund Balances, Beginning of Year	<u>973,451</u>	<u>1,172,686</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,318,798</u>	<u>\$ 1,171,691</u>

See Notes to Financial Statements.

<u>Zone E Extensive Landscaping Administration</u>	<u>Zone L Library Services Fund</u>	<u>Non-major Governmental Funds</u>	<u>Totals</u>
\$ -	\$ 1,496,840	\$ 129,287	\$ 3,502,773
-	-	468,297	468,297
-	64,924	-	67,174
1,738,217	37,584	1,314,013	10,002,059
112,560	-	29,184	211,127
-	16,712	-	16,712
7,467	3,562	3,468	143,502
<u>1,858,244</u>	<u>1,619,622</u>	<u>1,944,249</u>	<u>14,411,644</u>
<u>2,036,584</u>	<u>2,028,641</u>	<u>1,830,883</u>	<u>14,889,677</u>
<u>2,036,584</u>	<u>2,028,641</u>	<u>1,830,883</u>	<u>14,889,677</u>
<u>(178,340)</u>	<u>(409,019)</u>	<u>113,366</u>	<u>(478,033)</u>
-	-	20,000	20,000
(20,000)	-	-	(20,000)
-	848,058	163,389	1,463,055
-	(515,000)	(2,695)	(620,911)
<u>(20,000)</u>	<u>333,058</u>	<u>180,694</u>	<u>842,144</u>
<u>(198,340)</u>	<u>(75,961)</u>	<u>294,060</u>	<u>364,111</u>
<u>4,145,566</u>	<u>184,430</u>	<u>1,170,091</u>	<u>7,646,224</u>
<u>\$ 3,947,226</u>	<u>\$ 108,469</u>	<u>\$ 1,464,151</u>	<u>8,010,335</u>

**COMMUNITY SERVICES DISTRICT 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**

**YEAR ENDED JUNE 30, 2006**

Net changes in fund balances - total governmental funds	\$ 364,111
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Amounts reported for governmental activities in the statement of activities are different because:

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.

Community and cultural	280,049
Depreciation expense	<u>(1,878,126)</u>

<b>Changes in net assets of governmental activities</b>	<b><u><u>\$ (1,233,966)</u></u></b>
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**See Notes to Financial Statements.**

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ZONE A PARKS AND RECREATION  
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,537,350	\$ 1,537,350	\$ 1,765,545	\$ 228,195
Intergovernmental	786,000	786,000	2,250	(783,750)
Charges for services	6,414,320	6,414,320	6,019,641	(394,679)
Use of money and property	21,600	21,600	39,443	17,843
Miscellaneous	40,214	40,214	129,005	88,791
<b>Total Revenues</b>	<u>8,799,484</u>	<u>8,799,484</u>	<u>7,955,884</u>	<u>(843,600)</u>
<b>Expenditures:</b>				
Current:				
Community and cultural	8,745,637	8,745,637	7,976,145	769,492
<b>Total Expenditures</b>	<u>8,745,637</u>	<u>8,745,637</u>	<u>7,976,145</u>	<u>769,492</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>53,847</u>	<u>53,847</u>	<u>(20,261)</u>	<u>(74,108)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from the City of Moreno Valley	-	451,608	451,608	-
Transfers to the City of Moreno Valley	-	(86,000)	(86,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>365,608</u>	<u>365,608</u>	<u>-</u>
Net Change in Fund Balances	53,847	419,455	345,347	(74,108)
Fund Balances, Beginning of Year	<u>973,451</u>	<u>973,451</u>	<u>973,451</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,027,298</u>	<u>\$ 1,392,906</u>	<u>\$ 1,318,798</u>	<u>\$ (74,108)</u>

See Notes to Financial Statements.

**COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ZONE B RESIDENTIAL STREET LIGHTS ADMINISTRATION  
YEAR ENDED JUNE 30, 2006**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 68,300	68,300	\$ 111,101	\$ 42,801
Charges for services	979,988	979,988	892,604	(87,384)
Use of money and property	35,000	35,000	29,940	(5,060)
Miscellaneous	500	500	-	(500)
<b>Total Revenues</b>	<u>1,083,788</u>	<u>1,083,788</u>	<u>1,033,645</u>	<u>(50,143)</u>
<b>Expenditures:</b>				
Current:				
Community and cultural	1,159,068	1,159,068	1,017,424	141,644
<b>Total Expenditures</b>	<u>1,159,068</u>	<u>1,159,068</u>	<u>1,017,424</u>	<u>141,644</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(75,280)</u>	<u>(75,280)</u>	<u>16,221</u>	<u>91,501</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to the City of Moreno Valley	-	(17,216)	(17,216)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(17,216)</u>	<u>(17,216)</u>	<u>-</u>
Net Change in Fund Balances	<u>(75,280)</u>	<u>(92,496)</u>	<u>(995)</u>	<u>91,501</u>
Fund Balances, Beginning of Year	<u>1,172,686</u>	<u>1,172,686</u>	<u>1,172,686</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,097,406</u>	<u>\$ 1,080,190</u>	<u>\$ 1,171,691</u>	<u>\$ 91,501</u>

See Notes to Financial Statements.

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ZONE E EXTENSIVE LANDSCAPING ADMINISTRATION  
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 1,571,860	\$ 1,738,217	\$ 1,738,217	\$ -
Use of money and property	124,350	112,560	112,560	-
Miscellaneous	3,100	7,467	7,467	-
<b>Total Revenues</b>	<u>1,699,310</u>	<u>1,858,244</u>	<u>1,858,244</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Community and cultural	2,923,251	2,036,584	2,036,584	-
<b>Total Expenditures</b>	<u>2,923,251</u>	<u>2,036,584</u>	<u>2,036,584</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,223,941)</u>	<u>(178,340)</u>	<u>(178,340)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(20,000)	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,223,941)</u>	<u>(198,340)</u>	<u>(198,340)</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>4,145,566</u>	<u>4,145,566</u>	<u>4,145,566</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,921,625</u>	<u>\$ 3,947,226</u>	<u>\$ 3,947,226</u>	<u>\$ -</u>

See Notes to Financial Statements.

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ZONE L LIBRARY SERVICE FUND  
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,305,250	\$ 1,305,250	\$ 1,496,840	\$ 191,590
Intergovernmental	70,000	70,000	64,924	(5,076)
Charges for services	25,000	25,000	37,584	12,584
Fines and forfeitures	-	-	16,712	16,712
Miscellaneous	3,000	3,000	3,562	562
<b>Total Revenues</b>	<u>1,403,250</u>	<u>1,403,250</u>	<u>1,619,622</u>	<u>216,372</u>
<b>Expenditures:</b>				
Current:				
Community and cultural	<u>2,679,308</u>	<u>2,679,308</u>	<u>2,028,641</u>	<u>650,667</u>
<b>Total Expenditures</b>	<u>2,679,308</u>	<u>2,679,308</u>	<u>2,028,641</u>	<u>650,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,276,058)</u>	<u>(1,276,058)</u>	<u>(409,019)</u>	<u>867,039</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in from the City of Moreno Valley	848,058	848,058	848,058	-
Transfers out to the City of Moreno Valley	<u>-</u>	<u>(515,000)</u>	<u>(515,000)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>848,058</u>	<u>333,058</u>	<u>333,058</u>	<u>-</u>
Net Change in Fund Balances	(428,000)	(943,000)	(75,961)	867,039
Fund Balances, Beginning of Year	<u>184,431</u>	<u>184,431</u>	<u>184,431</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ (243,569)</u>	<u>\$ (758,569)</u>	<u>\$ 108,470</u>	<u>\$ 867,039</u>

See Notes to Financial Statements.

**COMMUNITY SERVICES DISTRICT OF THE  
CITY OF MORENO VALLEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006**

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

**a. Reporting Entity**

The Community Services District of the City of Moreno Valley, California (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 Standard Board (GASB) Statement No. 14, *The Financial Reporting Entity*, defines 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 GASB Statement No. 14, 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,

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

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

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.

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 revenues to be available if they are collected within 90 days of the end of the current fiscal period. 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 Recreation accounts for the administration and maintenance of the parks and recreational facilities and programs.

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

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

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 XIIIB 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 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. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that

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

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

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.

**f. 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	50
Furniture and Equipment	5 – 10
Vehicles	3- 10
Infrastructure	25

**g. 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 and any gains or losses.

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

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

**h. 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.

**i. 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.

**j. 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 "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."

**k. 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.

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

**Note 2: Cash, Investments and Equity in Pooled Investments**

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

Cash and investments pooled with the City	<u>\$16,753,574</u>
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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 of Moreno Valley. 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 of Moreno Valley. The District has not adopted an investment policy separate from that of the City of Moreno Valley. 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.

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

**Note 3: Capital Assets**

	Balances <u>06/30/05</u>	Additions	Deletions	Balances <u>06/30/06</u>
Depreciable Assets:				
Buildings & improvements	\$47,825,610	\$ -	\$ -	\$47,825,610
Machinery and equipment	1,204,204	101,438	(184,764)	1,120,878
Vehicles	<u>393,895</u>	<u>178,611</u>	<u>(106,391)</u>	<u>466,115</u>
Totals	<u>49,423,709</u>	<u>280,049</u>	<u>(291,155)</u>	<u>49,412,603</u>
Less Accumulated Depreciation for:				
Building and Improvements	(19,860,897)	(1,829,648)	-	(21,690,545)
Machinery and equipment	(980,917)	(18,639)	184,764	(814,792)
Vehicles	<u>(371,244)</u>	<u>(29,839)</u>	<u>106,391</u>	<u>(294,692)</u>
Total Accumulated Depreciation	<u>(21,213,058)</u>	<u>(1,878,126)</u>	<u>291,155</u>	<u>(22,800,029)</u>
Total Net Capital Assets	<u>\$28,210,651</u>	<u>\$(1,598,077)</u>	<u>\$ -</u>	<u>\$26,612,574</u>

**Note 4: Interfund Transfers**

Transfers in and out for the year ended June 30, 2006 were as follows:

<u>Payable Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Zone E Extensive Landscaping Administration	Non-major Governmental Fund	<u>\$20,000</u>

Transfer was made for that fund's share of parcel fees collected.

**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. The City has a self-insured retention of \$300,000 per occurrence. 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.

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>Special Revenue Funds</u>	
	<u>Zone C</u>	<u>Zone D</u>
	<u>Arterial Street Lights Administration</u>	<u>Standard Landscaping Administration</u>
<b>Assets:</b>		
Pooled cash and investments	\$ 685,069	\$ 424,657
Receivables:		
Accounts	-	-
Due from other governments	<u>58,284</u>	<u>94,595</u>
<b>Total Assets</b>	<b><u>\$ 743,353</u></b>	<b><u>\$ 519,252</u></b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 33,353	\$ 100,935
Accrued liabilities	<u>3,629</u>	<u>25,787</u>
<b>Total Liabilities</b>	<b><u>36,982</u></b>	<b><u>126,722</u></b>
<b>Fund Balances:</b>		
Reserved:		
Reserved for encumbrances	2,958	-
Unreserved:		
Designated for continuing appropriations	360,972	-
Designated for capital improvement projects	223,379	298,115
Undesignated	<u>119,062</u>	<u>94,415</u>
<b>Total Fund Balances</b>	<b><u>706,371</u></b>	<b><u>392,530</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 743,353</u></b>	<b><u>\$ 519,252</u></b>

<b>Zone M Median Fund</b>	<b>CFD #1 Fund</b>	<b>Total Non-major Funds</b>
\$ 4,365	\$ 379,377	1,493,468
10,183	-	10,183
1,957	22,465	177,301
<b>\$ 16,505</b>	<b>\$ 401,842</b>	<b>\$ 1,680,952</b>
\$ 8,334	\$ 36,245	\$ 178,867
2,724	5,794	37,934
<b>11,058</b>	<b>42,039</b>	<b>216,801</b>
-	-	2,958
-	18,148	379,120
-	-	521,494
5,447	341,655	560,579
<b>5,447</b>	<b>359,803</b>	<b>1,464,151</b>
<b>\$ 16,505</b>	<b>\$ 401,842</b>	<b>1,680,952</b>

**COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY**

**COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006**

	<u>Special Revenue Funds</u>	
	<u>Zone C</u>	<u>Zone D</u>
	<u>Arterial Street</u>	<u>Standard</u>
	<u>Lights</u>	<u>Landscaping</u>
	<u>Administration</u>	<u>Administration</u>
<b>Revenues:</b>		
Property taxes	\$ 129,287	\$ -
Property taxes in lieu	-	-
Charges for services	399,980	899,190
Use of money and property	17,507	8,346
Miscellaneous	-	250
	<hr/>	<hr/>
<b>Total Revenues</b>	<u>546,774</u>	<u>907,786</u>
<b>Expenditures:</b>		
Current:		
Community and cultural	<u>493,928</u>	<u>933,031</u>
	<hr/>	<hr/>
<b>Total Expenditures</b>	<u>493,928</u>	<u>933,031</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>52,846</u>	<u>(25,245)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	-
Transfers in from the City of Moreno Valley	-	-
Transfers out to the City of Moreno Valley	<u>(2,695)</u>	<u>-</u>
	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<u>(2,695)</u>	<u>-</u>
Net Change in Fund Balances	50,151	(25,245)
Fund Balances (Deficit), Beginning of Year	<u>656,220</u>	<u>417,775</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 706,371</u></u>	<u><u>\$ 392,530</u></u>

<b>Zone M Median Fund</b>	<b>CFD #1 Fund</b>	<b>Total Non-major Funds</b>
\$ -	\$ -	\$ 129,287
-	468,297	468,297
32,451	(17,608)	1,314,013
-	3,331	29,184
<u>3,218</u>	<u>-</u>	<u>3,468</u>
<u>35,669</u>	<u>454,020</u>	<u>1,944,249</u>
<u>113,888</u>	<u>290,036</u>	<u>1,830,883</u>
<u>113,888</u>	<u>290,036</u>	<u>1,830,883</u>
<u>(78,219)</u>	<u>163,984</u>	<u>113,366</u>
-	20,000	20,000
163,389	-	163,389
<u>-</u>	<u>-</u>	<u>(2,695)</u>
<u>163,389</u>	<u>20,000</u>	<u>180,694</u>
85,170	183,984	294,060
<u>(79,723)</u>	<u>175,819</u>	<u>1,170,091</u>
<u>\$ 5,447</u>	<u>\$ 359,803</u>	<u>1,464,151</u>

**COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ZONE C ARTERIAL LIGHTS ADMINISTRATION  
YEAR ENDED JUNE 30, 2006**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes	\$ 64,700	\$ 129,287	\$ 129,287	\$ -
Charges for services	432,309	399,980	399,980	-
Use of money and property	<u>17,000</u>	<u>17,507</u>	<u>17,507</u>	<u>-</u>
<b>Total Revenues</b>	<u>514,009</u>	<u>546,774</u>	<u>546,774</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Community and cultural	<u>1,015,151</u>	<u>493,928</u>	<u>493,928</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,015,151</u>	<u>493,928</u>	<u>493,928</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(501,142)</u>	<u>52,846</u>	<u>52,846</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out to the City of Moreno Valley	<u>-</u>	<u>(2,695)</u>	<u>(2,695)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(2,695)</u>	<u>(2,695)</u>	<u>-</u>
Net Change in Fund Balances	<u>(501,142)</u>	<u>50,151</u>	<u>50,151</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>656,220</u>	<u>656,220</u>	<u>656,220</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 155,078</u>	<u>\$ 706,371</u>	<u>\$ 706,371</u>	<u>\$ -</u>

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ZONE D STANDARD LANDSCAPING ADMINISTRATION  
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 1,016,254	\$ 899,190	\$ 899,190	\$ -
Use of money and property	17,225	8,346	8,346	-
Miscellaneous	1,500	250	250	-
<b>Total Revenues</b>	<u>1,034,979</u>	<u>907,786</u>	<u>907,786</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Community and cultural	1,103,135	933,031	933,031	-
<b>Total Expenditures</b>	<u>1,103,135</u>	<u>933,031</u>	<u>933,031</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(68,156)</u>	<u>(25,245)</u>	<u>(25,245)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	8,000	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(60,156)	(25,245)	(25,245)	-
Fund Balances, Beginning of Year	<u>417,775</u>	<u>417,775</u>	<u>417,775</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 357,619</u>	<u>\$ 392,530</u>	<u>\$ 392,530</u>	<u>\$ -</u>

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ZONE M MEDIAN FUND  
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 103,352	\$ 32,451	\$ 32,451	\$ -
Miscellaneous	-	3,218	3,218	-
<b>Total Revenues</b>	<u>103,352</u>	<u>35,669</u>	<u>35,669</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Community and cultural	<u>133,786</u>	<u>113,888</u>	<u>113,888</u>	<u>-</u>
<b>Total Expenditures</b>	<u>133,786</u>	<u>113,888</u>	<u>113,888</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,434)</u>	<u>(78,219)</u>	<u>(78,219)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in from the City of Moreno Valley	<u>62,880</u>	<u>163,389</u>	<u>163,389</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>62,880</u>	<u>163,389</u>	<u>163,389</u>	<u>-</u>
Net Change in Fund Balances	32,446	85,170	85,170	-
Fund (Deficit) Balances, Beginning of Year	<u>(79,723)</u>	<u>(79,723)</u>	<u>(79,723)</u>	<u>-</u>
<b>Fund (Deficit) Balances, End of Year</b>	<u>\$ (47,277)</u>	<u>\$ 5,447</u>	<u>\$ 5,447</u>	<u>\$ -</u>

**COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CFD #1 FUND  
YEAR ENDED JUNE 30, 2006**

	<u>Budget Amounts</u>		<u>Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes in lieu	\$ 180,256	\$ 468,297	\$ 468,297	\$ -
Charges for services	20,200	(17,608)	(17,608)	-
Use of money and property	85	3,331	3,331	-
<b>Total Revenues</b>	<u>200,541</u>	<u>454,020</u>	<u>454,020</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Community and cultural	<u>301,000</u>	<u>290,036</u>	<u>290,036</u>	<u>-</u>
<b>Total Expenditures</b>	<u>301,000</u>	<u>290,036</u>	<u>290,036</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100,459)</u>	<u>163,984</u>	<u>163,984</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balances	<u>(80,459)</u>	<u>183,984</u>	<u>183,984</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>175,819</u>	<u>175,819</u>	<u>175,819</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 95,360</u>	<u>\$ 359,803</u>	<u>\$ 359,803</u>	<u>\$ -</u>

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