



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

Prepared by: Department of Finance

Steven M. Chapman

Finance Director/City Treasurer

City of Moreno Valley, California

CITY OF MORENO VALLEY
COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

| | <u>Page Number</u> |
|---|------------------------|
| INTRODUCTORY SECTION | |
| Letter of Transmittal | i |
| Municipal Officials | v |
| Organization Chart | vi |
| GFOA Certificate of Award for Outstanding Financial Reporting | vii |
| FINANCIAL SECTION | |
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 13 |
| Statement of Activities | 14 |
| Fund Financial Statements: | |
| Major Governmental Fund Financial Statements | 16 |
| Balance Sheet - Governmental Funds | 17 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 20 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Budgetary Comparison Statements | |
| 1. General Fund | 23 |
| 2. Fire Services Special Revenue Fund | 24 |
| 3. CSD Zones Special Revenue Fund | 25 |
| 4. Development Impact Fees Special Revenue Fund | 26 |
| Enterprise Funds | 27 |
| Statement of Fund Net Assets - Proprietary Funds | 28 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds | 29 |

**CITY OF MORENO VALLEY
COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS, (Continued)

| | <u>Page Number</u> |
|---|------------------------|
| BASIC FINANCIAL STATEMENTS, (Continued) | |
| Statement of Cash Flows - Proprietary Funds | 30 |
| Statement of Fiduciary Fund Assets and Liabilities - Fiduciary Funds | 31 |
| Notes to Basic Financial Statements | 32 |
| COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES | |
| Non-Major Governmental Funds | 69 |
| Combining Balance Sheet - Nonmajor Governmental Funds | 74 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds | 84 |
| Budgetary Comparison Schedules - Special Revenue Funds | |
| State Gasoline Tax | 94 |
| Article 3 Transportation | 95 |
| Measure A | 96 |
| Law Enforcement | 97 |
| Public Education/Government Access Program | 98 |
| Air Quality Management | 99 |
| Community Development Block Grant | 100 |
| Special Districts Administration | 101 |
| NPDES CSA | 102 |
| Housing Assistance Program | 103 |
| Child Care Grant | 104 |
| Parks and Community Services PAL Grant | 105 |
| Used Oil Recycling | 106 |
| Storm Water Maintenance | 107 |
| Traffic Congestion Relief | 108 |
| Disaster | 109 |
| Beverage Container Recycling | 110 |
| Emergency Management Preparedness Grant | 111 |
| ASES Program Grant | 112 |
| Box Springs Water EPA Grant | 113 |
| Budgetary Comparison Schedules - Capital Projects Funds | |
| City Hall Capital/Administration | 114 |
| Capital Improvements | 115 |
| PW | 116 |
| Traffic Signal Mitigation | 117 |
| Fire Services | 118 |
| Park Acquisition and Development | 119 |

**CITY OF MORENO VALLEY
COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS, (Continued)

| | <u>Page Number</u> |
|--|------------------------|
| COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES, (Continued) | |
| Budgetary Comparison Schedules - Capital Projects Funds, (Continued) | |
| Towngate Capital/Administration | 120 |
| Centerpointe Capital/Administration | 121 |
| Warner Ranch Capital/Development | 122 |
| Auto Mall Capital/Administration | 123 |
| Parks and Community Services | 124 |
| TUMF | 125 |
| DIF | 126 |
| Stoneridge Capital Administration | 127 |
| Lease Revenue Bonds 2005 | 128 |
| Budgetary Comparison Schedules - Debt Service Funds | |
| OPA Sales Tax Agreements | 129 |
| Towngate Improvement Bond | 130 |
| Towngate Refunding | 131 |
| City Hall COPs Series 1997 | 132 |
| Auto Mall Special Tax Bonds | 133 |
| Stoneridge | 134 |
| Certificates of Participation Series 1993 | 135 |
| Public Safety Lease Revenue Bonds 1997 | 136 |
| Lease Revenue Bonds 2005 | 137 |
| Internal Service Funds | 138 |
| Combining Statement of Net Assets - Internal Service Funds | 139 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds | 141 |
| Combining Statement of Cash Flows - Internal Service Funds | 143 |
| Fiduciary Funds | 145 |
| Combining Balance Sheet - All Agency Funds | 146 |
| Combining Schedule of Changes in Assets and Liabilities - All Agency Funds | 148 |
| Schedule of General Capital Assets by Function and Activity | 151 |
| STATISTICAL SECTION | |
| Net Assets by Component | 154 |
| Change in Net Assets | 155 |

CITY OF MORENO VALLEY
COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS, (Continued)

| | <u>Page Number</u> |
|---|------------------------|
| STATISTICAL SECTION, (Continued) | |
| Fund Balances, Governmental Funds | 157 |
| Changes in Fund Balances, Governmental Funds | 158 |
| Tax Revenues by Source, Governmental Funds | 159 |
| Key Revenues | 160 |
| Assessed Value and Estimated Actual Value of Taxable Property | 161 |
| Property Tax Rates | 162 |
| Principal Property Tax Payers | 163 |
| Property Tax Levies and Collections | 164 |
| Direct and Overlapping Debt | 165 |
| Legal Debt Margin | 166 |
| Ratios of Outstanding Debt by Type | 167 |
| Ratio of Bonded Debt | 168 |
| Demographic and Economic Statistics | 169 |
| Principal Employers | 170 |
| Full-time and Part-time City Employees by Function | 171 |
| Capital Asset Statistics | 172 |
| Operating Indicators by Function | 173 |



December 20, 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, 2007.

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, 2007. 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 180,466 as reported in May, 2007 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 30th. The City's fiscal year is July 1st through June 30th. 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 23 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 24.

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 over that time City sales tax revenues are averaging 13% growth per year, with 9% growth in each of the last two fiscal years, FY 2005-06 and 2006-07. The City's total assessed valuation has shown dramatic growth since 2002. The Riverside County Assessor's Office Annual Report shows the City of Moreno Valley total assessed valuation in 2007 increasing by \$2.1 billion over 2006, an 18.5% increase. In the past five years, the City's assessed valuation has grown from \$5.8 billion to \$13.6 billion, a 134% 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 (CIP). 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 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 2.01 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 4.55%.

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, 2006. This was the ninth 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, Financial Operations Division Manager. 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,

A handwritten signature in black ink, appearing to read 'S. Chapman', with a long, sweeping horizontal line extending to the right.

Steven M. Chapman
Finance Director/City Treasurer

CITY OF MORENO VALLEY

MUNICIPAL OFFICIALS

June 30, 2007

CITY COUNCIL

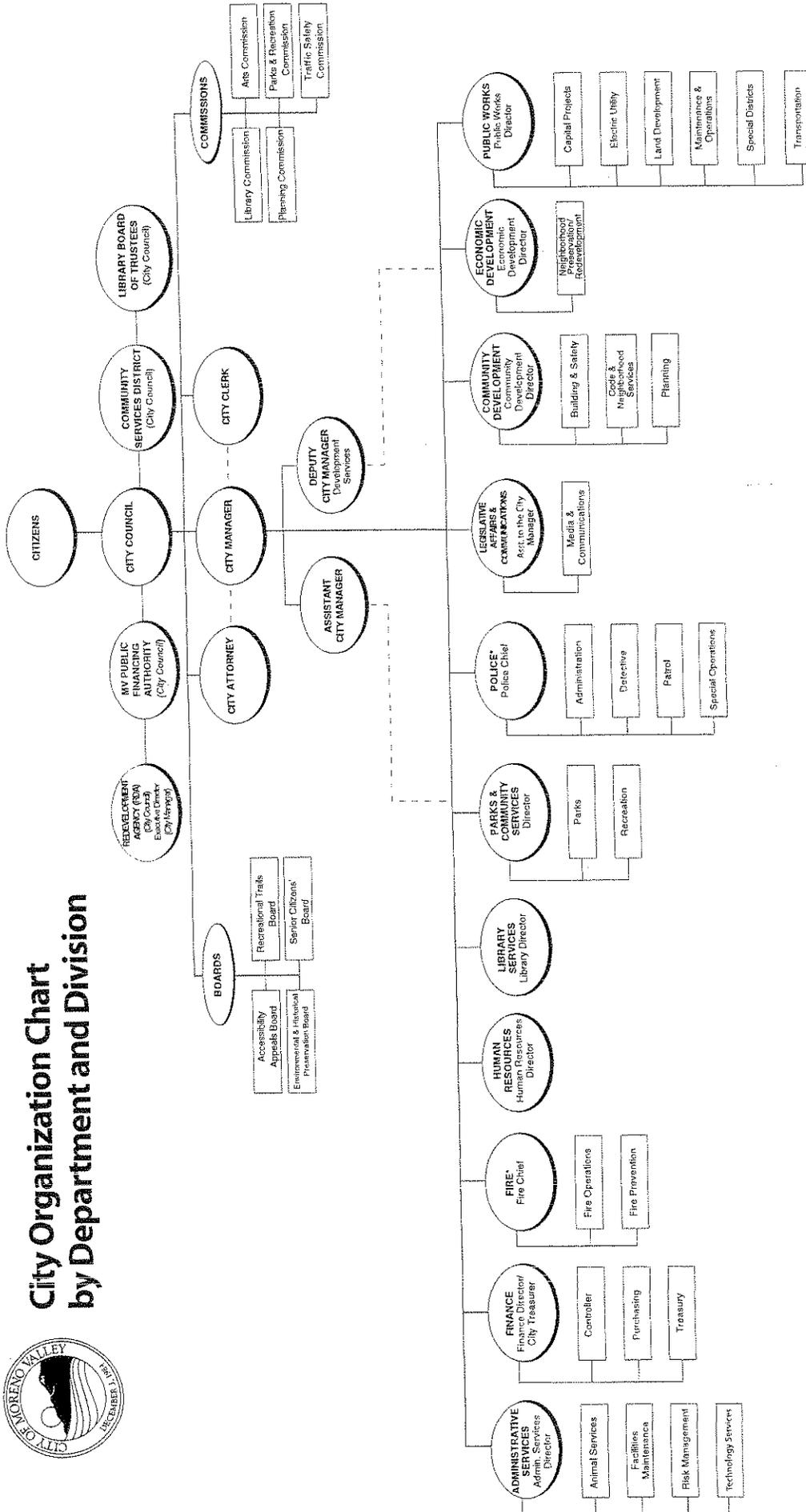
Charles R. White, Mayor
William H. Batey II, Mayor Pro Tem
Bonnie Flickinger, Councilmember
Richard A. Stewart, Councilmember
Frank West, Councilmember

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
Steve Elam, Administrative Services Director
Denese Wilson-Beilke, 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
Michael McCarty, Parks and Recreation Director
Cynthia Pirtle, Library Services Director
Rick Hall, 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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emery

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, 2007, 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, 2007, 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 City has reflected in the accompanying financial statements certain accounting changes as described further in note ten to the basic financial statements.

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 December 20, 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.

Mayor Hoffman Melana PL.

Irvine, California
December 20, 2007

Management 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, 2007. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages i through iv of this report. 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, 2007 by \$806.8 million (*net assets*). Of this amount, \$101.3 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets have grown by \$31.2 million from the amount reported at the end of FY 2005-06, or 44%.
- The City's governmental activities' net assets increased by \$109.3 million, which is largely attributable to higher than expected revenues for FY 2006-07.
- 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 \$107.3 million more than the \$124.5 million expenses recorded by the City in its governmental and business-type activities.
- The General Fund had an end of year fund balance of \$53.1 million, an increase of \$15.4 million and a 40.8% increase over FY 2005-06.
- A \$5.3 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.
- By City policy, the \$15.4 million positive net change in fund balance for the General Fund from FY 2006-07 operations enabled the designation for capital improvements projects to increase from \$6.6 million at June 30, 2006, to \$17.0 million at June 30, 2007. This strategic designation can provide funding for high priority capital projects with no other available funding source.
- A \$14.5 million designation of the General Fund unreserved fund balance was maintained for emergencies and contingencies.
- The \$1.1 million designation of the General Fund unreserved fund balance was maintained to provide initial funding of the City's Other Post Employment Benefits (OPEB) liability (GASB 45), which will be actuarially determined and booked prior to June 30, 2008.
- The \$5.6 million reserve for revolving line of credit established in FY 2005-06 remained intact and provides an immediate source of funding for the electric utility's strategic energy purchases, capital needs and cash flow assistance.
- A new reserve in the amount \$1 million was established for future debt service.

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*.

Information regarding governmental funds 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 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the supplementary section of the report 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. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary section of the report.

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 \$806.8 million at June 30, 2007.

By far the largest portion of the City's net assets (75%) 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, 2007. The component figures (not the total net assets) for FY 2005-06 have been revised to enable a one-to-one comparison with the same component figures for FY 2006-07. To assist in the two-year comparison, detail of the particular net asset restrictions are now included in the table.

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

| | Governmental Activities | | Business type Activities | | Total | |
|--|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 |
| Current and other assets | \$ 246,186 | \$ 280,076 | \$ 247 | \$ 20,821 | \$ 246,433 | \$ 300,897 |
| Capital assets | 559,414 | 629,908 | 18,618 | 33,529 | 578,032 | 663,437 |
| Total assets | <u>805,600</u> | <u>909,984</u> | <u>18,865</u> | <u>54,350</u> | <u>824,465</u> | <u>964,334</u> |
| Current Liabilities | 35,244 | 38,659 | 2,229 | 7,922 | 37,473 | 46,581 |
| Long-term liabilities | 87,961 | 79,581 | 2,198 | 31,328 | 90,159 | 110,909 |
| Total liabilities | <u>123,205</u> | <u>118,240</u> | <u>4,427</u> | <u>39,250</u> | <u>127,632</u> | <u>157,490</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 523,084 | 594,871 | 18,151 | 14,131 | 541,235 | 609,002 |
| Restricted for: | | | | | | |
| Public safety | 1,655 | 974 | | | 1,655 | 974 |
| Public works | 60,688 | 66,493 | | | 60,688 | 66,493 |
| Debt service | 12,986 | 12,539 | | | 12,986 | 12,539 |
| Other programs | 10,076 | 14,863 | | | 10,076 | 14,863 |
| Permanent funds - nonexpendable | 59 | 62 | | | 59 | 62 |
| Regulatory contingencies | | | | 1,604 | | 1,604 |
| Unrestricted | 73,847 | 101,942 | (3,713) | (634) | 70,134 | 101,308 |
| Total net assets | <u>\$ 682,395</u> | <u>\$ 791,744</u> | <u>\$ 14,438</u> | <u>\$ 15,101</u> | <u>\$ 696,833</u> | <u>\$ 806,845</u> |

The following table presents a summarization of the changes in net assets of the City's governmental activities, as of June 30, 2007.

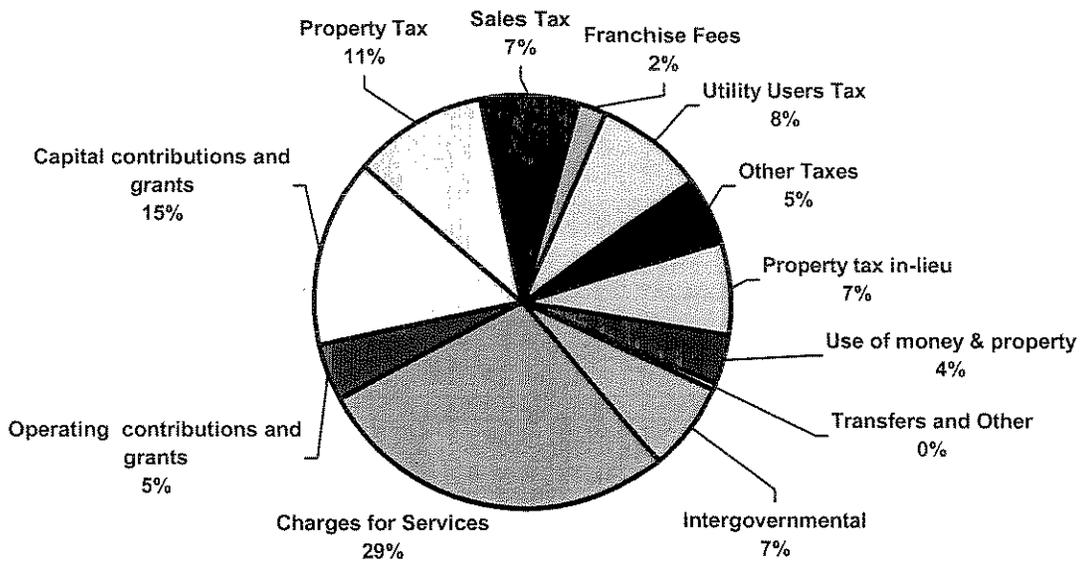
Table 2
Changes in Net Assets
(in \$000's)

| | Governmental Activities | | Business type Activities | | Total | |
|--|----------------------------|-------------------|-----------------------------|------------------|-------------------|----------------|
| | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 47,656 | \$ 38,730 | \$ 4,982 | \$ 8,712 | \$ 52,638 | \$ 47,442 |
| Operating contributions and grants | 7,632 | 6,138 | - | - | 7,632 | 6,138 |
| Capital contributions and grants | 24,442 | 74,753 | 6,464 | 1,605 | 30,906 | 76,358 |
| General Revenues: | | | | | | |
| Property tax | 18,002 | 23,380 | - | - | 18,002 | 23,380 |
| Property tax in lieu | 12,068 | 14,150 | - | - | 12,068 | 14,150 |
| Transient occupancy tax | 582 | 586 | - | - | 582 | 586 |
| Sales tax | 12,276 | 15,701 | - | - | 12,276 | 15,701 |
| Franchise tax | 4,100 | 4,350 | - | - | 4,100 | 4,350 |
| Business license tax | 1,241 | 1,315 | - | - | 1,241 | 1,315 |
| Utility user's tax | 13,812 | 15,463 | - | - | 13,812 | 15,463 |
| Franchise in lieu tax | 43 | 79 | - | - | 43 | 79 |
| Documentary transfer tax | 1,548 | 973 | - | - | 1,548 | 973 |
| Other taxes | 5,449 | 6,321 | - | - | 5,449 | 6,321 |
| Intergovernmental | 11,900 | 16,054 | - | - | 11,900 | 16,054 |
| Use of money and property | 6,959 | 13,468 | - | - | 6,959 | 13,468 |
| Other | 1,821 | 406 | - | - | 1,821 | 406 |
| Total Revenues | 169,531 | 231,867 | 11,446 | 10,317 | 180,977 | 242,184 |
| Expenses: | | | | | | |
| General government | 12,818 | 10,797 | - | - | 12,818 | 10,797 |
| Public safety | 47,282 | 43,416 | - | - | 47,282 | 43,416 |
| Community development | 13,666 | 9,643 | - | - | 13,666 | 9,643 |
| Community and cultural | 16,000 | 21,181 | - | - | 16,000 | 21,181 |
| Public works | 10,274 | 30,750 | - | - | 10,274 | 30,750 |
| Interest on long-term debt | 8,080 | 8,724 | - | - | 8,080 | 8,724 |
| Electric | - | - | 3,674 | 8,299 | 3,674 | 8,299 |
| Total Expenses | 108,120 | 124,511 | 3,674 | 8,299 | 111,794 | 132,810 |
| Increase in net assets before transfers | 61,411 | 107,356 | 7,772 | 2,018 | 69,183 | 109,374 |
| Transfers | (1,257) | (76) | 1,257 | 76 | - | - |
| Increase in Net Assets | 60,154 | 107,280 | 9,029 | 2,094 | 69,183 | 109,374 |
| Restatement of Net Assets | 22,215 | 2,069 | 4,394 | (1,431) | 26,609 | 638 |
| Net Assets Beginning | 600,026 | 682,395 | 1,015 | 14,438 | 601,041 | 696,833 |
| Net Assets Ending | \$ 682,395 | \$ 791,744 | \$ 14,438 | \$ 15,101 | \$ 696,833 | 806,845 |

Governmental Activities

The government's net assets increased by \$107.3 million, with total revenues of \$231.9 million, total expenses of \$124.5 million, transfers of \$76,000, and a restatement of previously underreported net assets of \$2.1 million. Program revenues were \$119.6 million and general revenues were \$112.3 million, funding the net difference between program revenues and expenses. At \$38.7 million, charges for current services was the largest revenue source and is program revenue. This revenue goes directly against expenses in recovering the costs of providing those services. This revenue category decreased by \$9 million over FY 2005-06, which is primarily due to the decrease in development-related fees. The second largest category of revenue was capital contributions and grants at \$74.8 million, which is program revenue. This revenue category increased by \$50.4 million over FY 2005-06, which is primarily due to the receipt of construction proceeds from bond issues. The third largest revenue category was property tax at \$23.4 million, and is general revenue. Intergovernmental revenue, primarily from the state, was the fourth largest revenue source at \$16.1 million. Sales tax was the fifth largest revenue source at \$15.7 million, and utility users tax was the sixth largest at \$15.5 million. Graph 1 presents the revenues by source for governmental activities for the fiscal year ended June 30, 2007.

Graph 1
Revenues by Source – Governmental Activities



The single largest expense category was public safety at \$43.4 million, accounting for 34.8% of total expenses. Public works was the second largest expense category at \$30.7 million, and 24.7% of total expenses. This expense category experienced the largest growth over FY 2005-06, a total of \$20.4 million and nearly 200%. Community and cultural was the third largest expense category at \$21.2 million. General government was the fourth largest expense category at \$10.8 million, followed by community development at \$9.6 million, the fifth largest expense category, and interest on long-term debt at \$8.7 million, the sixth largest expense category.

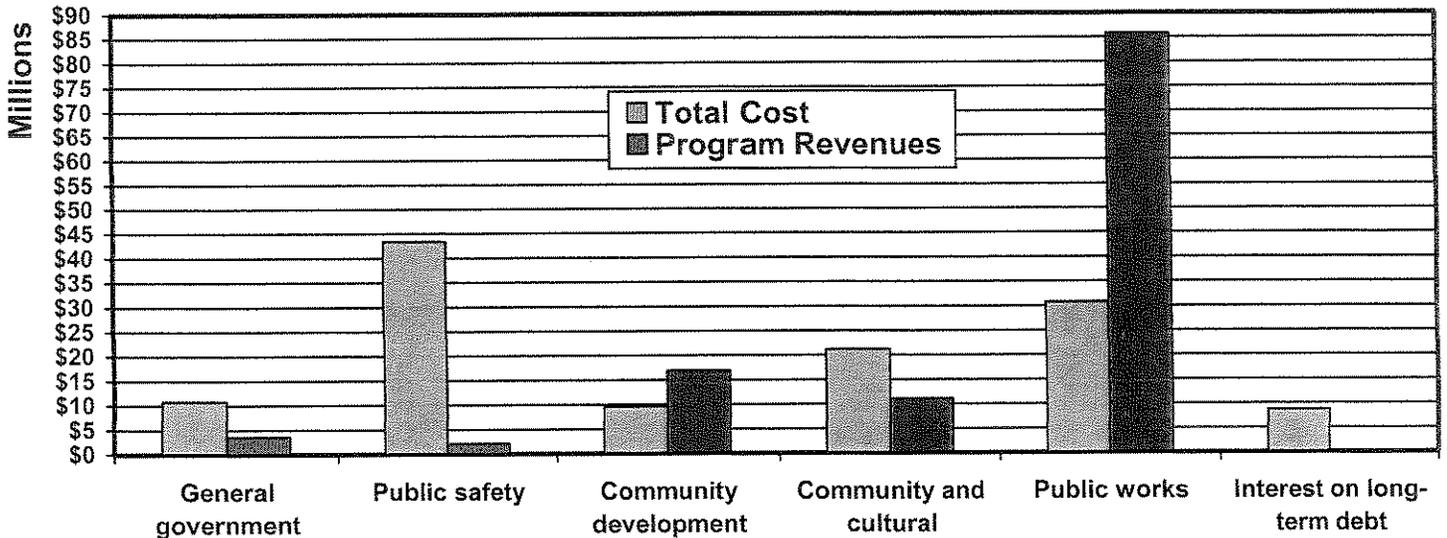
Table 3 presents the cost of each of the six major program categories, and identifies each program's *net cost* (total cost less revenues generated by the activities). The net cost is the financial burden that was placed on the City's taxpayers by each of the activities.

**Table 3
Governmental Activities - Net Cost of Services
For the year ended June 30, 2007**

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|----------------------------|-------------------------------|------------------------------|
| General government | \$10,796,963 | \$ (7,179,900) |
| Public safety | 43,415,662 | (41,272,371) |
| Community development | 9,643,084 | 7,327,757 |
| Community and cultural | 21,181,096 | (10,116,603) |
| Public works | 30,750,411 | 55,075,526 |
| Interest on long-term debt | <u>8,724,134</u> | <u>8,724,134</u> |
| TOTAL | <u>\$124,511,350</u> | <u>\$ (4,889,725)</u> |

As illustrated in the above table, program revenues recovered \$119.6 million of the cost of providing these services. The City paid for the remaining public benefit portion of these governmental activities with \$4.9 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, 2007**



THE CITY'S FUNDS

Total fund balances presented in the governmental funds balance sheet are \$187.6 million with the General Fund representing \$53.1 million, or nearly 28% of the total. The City's General Fund fund balance has reserved \$13.6 million for advances to other funds, revolving line of credit to the electric utility fund, future debt service, encumbrances, and prepaid and other assets.

General Fund Financial Results

The fund balance of the General Fund increased by \$15.4 million over FY 2005-06. This was primarily attributed to strong and sustained growth in tax revenues, including property tax, property tax in lieu of sales tax, utility users tax and sales tax.

In terms of budgetary highlights and based on the original budget (page 23) the expected \$6.2 million net increase in fund balance for the year gave way to an unanticipated \$15.3 million increase in fund balance, a \$9.1 million positive turnaround. This overall positive variance can generally be attributed to the better than anticipated receipts of three revenue sources:

- Property tax exceeded expectations by \$2.2 million as assessed valuation continued its unprecedented climb, and according to the Riverside County Assessor's Office Annual Report, registered a 23.1% increase over FY 2005-06.
- Licenses and permits revenue exceeded expectations by \$2.0 million reflecting another strong year in terms of development-related receipts.
- Use of money and property exceeded expectations by \$3.3 million as the General Fund received the benefit of improved yields on its long-term investments over FY 2005-06.

General Fund actual expenditures were \$6.8 million less than the final amended budget. Major contributors to this result were:

- Public safety expenditures were \$3.1 million less than budget due primarily to the largest of the eight police program budgets, Police Patrol, having been fully funded for several new police officer positions, but followed by a less than full year of deployment.
- Public works expenditures were \$1.3 million less than budget due primarily to savings in the largest of the Public Works General Fund program budgets, Land Development.
- Community development expenditures were \$1.2 million less than budget due primarily to savings in the largest (Building Division) and third largest (Planning Division) CDD program budgets.

Other Major Fund Budgetary Highlights

The fund balance of the Fire Services Special Revenue Fund decreased by \$786,000 over FY 2005-06, and is the intended result of not allowing any further accumulation of fund balance as the fund is subsidized by the General Fund.

The fund balance of the CSD Zones Special Revenue Fund showed an increase of \$264,000 over FY 2005-06, and is primarily the result of transfers from other funds for services rendered on their behalf.

The fund balance for the Development Impact Fees Special Revenue Fund showed a decrease of \$4.7 million over FY 2005-06, and is the result of transfers to capital projects funds for projects that are either partially or totally funded by these restricted revenues.

The fund balance of the Lease Revenue Bonds 2005 Capital Projects Fund decreased by \$13.8 million, and is directly attributed to the spending of the 2005 bond proceeds on capital projects.

The fund balance of the Community Redevelopment Agency Capital Projects Fund increased by \$3.3 million, and is primarily the result of strong growth in property tax (tax increment) and the restatement of beginning fund balance.

The net assets of the Electric Enterprise Fund increased by \$663,000 over the amount originally reported (before restatement) for FY 2005-06, and is primarily the result of operating revenues exceeding operating expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2006-07, the City had \$842.6 million (\$629.9 million net of depreciation) 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 of \$88.1 million over FY 2005-06 is primarily attributed to the increased costs of infrastructure.

**Table 4
Capital Assets at Year End
(Net of Depreciation)
For the Year Ended June 30, 2007**

| | <u>Governmental Activities</u> |
|----------------------------|------------------------------------|
| Land | \$ 305,281,061 |
| Buildings and improvements | 62,495,302 |
| Machinery and equipment | 2,583,227 |
| Vehicles | 4,382,995 |
| Construction in progress | 20,394,731 |
| Infrastructure | <u>234,770,619</u> |
| TOTAL | <u>\$ 629,907,935</u> |

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 \$84.7 million in bonds, certificates of participation, notes and accrued interest, leases and compensated absences, versus \$87.9 million last year, a decrease of \$3.2 million, or 3.6%. 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, 2007**

| | <u>Governmental Activities</u> |
|-------------------------------|------------------------------------|
| Special Tax Bonds | \$ 21,415,000 |
| Certificates of Participation | 6,590,000 |
| Lease Revenue Bonds | 51,995,000 |
| Notes (plus accrued interest) | 2,610,806 |
| Capital Leases | 90,413 |
| Compensated Absences | <u>1,995,469</u> |
| TOTAL | <u>\$ 84,696,688</u> |

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, 2007, 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 2007-08 and future years.

With a January 1, 2007 population of 180,466, Moreno Valley remains the 2nd largest city in Riverside County. In 2005, the City was named by the U.S. Census Bureau as the nation's 6th fastest growing city of cities over 100,000 population. Moreno Valley is now the 3rd largest city in the Inland Empire. 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 \$510,500, and the average value of an existing home is now \$375,000. The average family household income is now \$66,836.

The growth and prosperity now being realized by the City is attributed to a number of factors. One of those 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 2007-08 Annual Report issued in August 2007, the City of Moreno Valley 2007 assessed valuation grew by \$2.1 billion, or 18.5% over 2006. In 2002, the City's assessed valuation was \$5.8 billion. In just five years it has grown to \$13.6 billion, a 134% increase. During the same period, the City's annual sales tax growth has averaged nearly 13%.

The current five-member City Council has been together without any change in office since January 1, 1997. Over this remarkable 11-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, 2007, the contingencies reserve was \$14.5 million, and equal to 15% of the ensuing year's General Fund operating budget.

Because of the phenomenal growth in development services revenues over the past five years, there has been a steady growth in the related expenditures to meet the residential, commercial and industrial demand, and at June 30, 2007, the City maintained a \$5.3 million Development Services Reserve (fund balance designation) to stabilize development service levels in the event of a downturn in the economy.

At June 30, 2007 5,500 new homes have been recently completed or are being marketed. Another 5,700 have been approved, although construction has not yet started. More than 4,500 multi-family units (townhouses, condominiums and apartments) are approved or in construction. Single-family building permit issuance continues to be strong. Housing resale prices are holding steady. Since 2003, Moreno Valley home sales prices have increased by 221% (an average equity gain of nearly \$211,000).

In March 2007, and in conjunction with the City's 2007 lease revenue bond issue for financing the electric utility substation project, the City received notice from Standard and Poor's that the underlying credit rating on its lease revenue debt had been raised by one notch from 'A-' to 'A' with a stable future outlook. According to S&P, the rating is supported by "the City's strong economic growth and strong fiscal management policies and practices that have helped the City maintain a sound financial position." The enhanced underlying credit rating by S&P will have the potential of saving the City – and therefore City taxpayers – hundreds of thousands of dollars in future interest expense and bond insurance premiums. There is an inverse relationship between bond ratings and the interest rates at which bonds are issued: the higher the bond rating, the lower the interest rate for the bond due to the decreasing risk of default. In the ratings publication, S&P cited several of the City's general credit characteristics that contributed to the enhanced rating: (1) diverse property tax base, with an assessed valuation that has grown an average of 17.3% annually over the past five years; (2) better than expected performance in major general fund revenue categories due to strong growth in the local economic base; (3) convenient location within the deep, diverse Riverside County economy with access to employment opportunities in neighboring Los Angeles, Orange, San Bernardino, and San Diego Counties; and (4) sound financial performance and strong management policies and practices with solid reserves. S&P said they expect to see Moreno Valley continue to experience

solid economic growth and strong property and sales tax growth and assume this growth will continue to fuel strong general fund revenue increases, allowing the City management to maintain strong reserves that can act as a buffer for potential economic downturns or additional state funding cuts. If population and economic growth slows substantially, if developer fees subsequently decrease, or if the newly established electric utility experiences operational difficulties, City officials could face operational pressures but should have the flexibility to maintain solid finances.

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, particularly in the fast developing eastern portion of the City, a number of new neighborhood shopping centers are being pursued. Moreno Valley's retail sales position illustrates a well-planned community experiencing significant growth with exciting opportunities for retailers and restaurants. A new Wal-Mart Super Center, adjacent to the Moreno Valley Auto Mall and Highway 60, opened in the spring of 2006. Nearby, the new 579,000 square foot Stoneridge Town Centre commercial development opened in the summer of 2007 with three anchors, four major retailers, twelve retail/restaurant pads and main street component. This new development includes California's first Super Target.

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, 2007

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and investments (note 3) | \$ 251,813,820 | \$ 21,154,236 | \$ 272,968,056 |
| Receivables: | | | |
| Accounts | 4,475,906 | 1,294,475 | 5,770,381 |
| Notes and loans | 10,935,578 | - | 10,935,578 |
| Accrued interest | 2,979,780 | - | 2,979,780 |
| Prepaid costs | 58,728 | 50 | 58,778 |
| Inventories | 24,697 | - | 24,697 |
| Due from other governments | 8,159,763 | - | 8,159,763 |
| Advances to/from other funds (note 7) | 1,627,698 | (1,627,698) | - |
| Capital assets not being depreciated (note 5) | 325,675,792 | 15,491,218 | 341,167,010 |
| Capital assets, net of accumulated depreciation (note 5) | 304,232,143 | 18,037,964 | 322,270,107 |
| Total assets | 909,983,905 | 54,350,245 | 964,334,150 |
| Liabilities: | | | |
| Accounts payable | 7,269,531 | 4,369,652 | 11,639,183 |
| Accrued liabilities | 3,316,218 | 28,704 | 3,344,922 |
| Accrued interest | 653,854 | 251,091 | 904,945 |
| Unearned revenue | 2,561,203 | - | 2,561,203 |
| Deposits payable | 118,832 | 898,782 | 1,017,614 |
| Due to other governments | 21,563,638 | - | 21,563,638 |
| Liabilities payable from restricted assets | - | 1,009,118 | 1,009,118 |
| Advances from developers | - | 1,143,652 | 1,143,652 |
| Advances from operator | - | 309,934 | 309,934 |
| Accrued claims and judgments | 3,175,000 | - | 3,175,000 |
| Noncurrent liabilities (note 6): | | | |
| Due within one year | 3,384,658 | 117,425 | 3,502,083 |
| Due in more than one year | 76,196,770 | 31,121,190 | 107,317,960 |
| Total liabilities | 118,239,704 | 39,249,548 | 157,489,252 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 594,870,636 | 14,130,659 | 609,001,295 |
| Restricted for: | | | |
| Public safety | 973,667 | - | 973,667 |
| Public works | 66,493,508 | - | 66,493,508 |
| Debt service | 12,538,629 | - | 12,538,629 |
| Other programs | 14,863,573 | - | 14,863,573 |
| Permanent funds-nonexpendable | 62,537 | - | 62,537 |
| Restricted for regulatory contingencies | - | 1,604,444 | 1,604,444 |
| Unrestricted | 101,941,651 | (634,406) | 101,307,245 |
| Total net assets | \$ 791,744,201 | \$ 15,100,697 | \$ 806,844,898 |

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | |
|---------------------------------------|------------------------------|---------------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Contributions and Grants</u> | <u>Capital Contributions and Grants</u> |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 10,796,963 | \$ 2,994,550 | \$ 622,513 | \$ - |
| Public safety | 43,415,662 | 1,212,229 | 931,062 | - |
| Community development | 9,643,084 | 12,947,546 | 4,023,295 | - |
| Community and cultural | 21,181,096 | 10,963,716 | 100,777 | - |
| Public works | 30,750,411 | 10,612,170 | 460,787 | 74,752,980 |
| Interest on long-term debt | 8,724,134 | - | - | - |
| Total Governmental Activities | <u>\$ 124,511,350</u> | <u>\$ 38,730,211</u> | <u>\$ 6,138,434</u> | <u>\$ 74,752,980</u> |
| Business-Type Activities: | | | | |
| Electric | 8,298,955 | 8,712,097 | - | 1,604,577 |
| Total Business-Type Activities | <u>8,298,955</u> | <u>8,712,097</u> | <u>-</u> | <u>1,604,577</u> |
| Total Primary Government | <u>\$ 132,810,305</u> | <u>\$ 47,442,308</u> | <u>\$ 6,138,434</u> | <u>\$ 76,357,557</u> |

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> |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (7,179,900) | \$ - | \$ (7,179,900) |
| (41,272,371) | - | (41,272,371) |
| 7,327,757 | - | 7,327,757 |
| (10,116,603) | - | (10,116,603) |
| 55,075,526 | - | 55,075,526 |
| (8,724,134) | - | (8,724,134) |
| <u>\$ (4,889,725)</u> | <u>\$ -</u> | <u>\$ (4,889,725)</u> |
| - | 2,017,719 | 2,017,719 |
| - | 2,017,719 | 2,017,719 |
| <u>\$ (4,889,725)</u> | <u>\$ 2,017,719</u> | <u>\$ (2,872,006)</u> |
| 23,379,735 | - | 23,379,735 |
| 14,150,000 | - | 14,150,000 |
| 586,383 | - | 586,383 |
| 15,701,460 | - | 15,701,460 |
| 4,349,870 | - | 4,349,870 |
| 1,315,039 | - | 1,315,039 |
| 15,463,291 | - | 15,463,291 |
| 6,320,978 | - | 6,320,978 |
| 78,573 | - | 78,573 |
| 972,995 | - | 972,995 |
| 16,054,145 | - | 16,054,145 |
| 13,467,580 | - | 13,467,580 |
| 405,679 | - | 405,679 |
| <u>(75,851)</u> | <u>75,851</u> | <u>-</u> |
| <u>112,169,877</u> | <u>75,851</u> | <u>112,245,728</u> |
| 107,280,152 | 2,093,570 | 109,373,722 |
| 684,464,049 | 13,007,127 | 697,471,176 |
| <u>\$ 791,744,201</u> | <u>\$ 15,100,697</u> | <u>\$ 806,844,898</u> |

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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 Community Services 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.

Other Governmental Funds

These funds constitute all other governmental funds that do not meet the criteria to be a major fund, which is 10% or more of assets, liabilities, revenues or expenditures for the governmental funds and 5% or more of total assets, liabilities, revenues or expenditures for the total governmental and enterprise funds combined. These funds include other Special Revenue Funds, other Capital Projects Funds, all Debt Service Funds and all Permanent Funds of the City.

CITY OF MORENO VALLEY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

| | Special Revenue Funds | | | |
|---|-----------------------|---------------------|----------------------|-------------------------------|
| | General | Fire Services | CSD Zones | Development Impact Fees |
| Assets: | | | | |
| Pooled cash and investments | \$ 58,084,518 | \$ 5,139,969 | \$ 7,604,121 | \$ 23,838,614 |
| Receivables: | | | | |
| Accounts | 2,509,184 | 44,287 | 213,187 | - |
| Notes and loans | - | - | - | - |
| Accrued interest | 2,722,588 | - | - | - |
| Prepaid costs | 9,802 | 699 | 1,235 | - |
| Due from other governments | 3,378,240 | 907,797 | 1,985,613 | - |
| Due from other funds (note 7) | 770,891 | - | 230,766 | 2,259,892 |
| Advances to other funds (note 7) | 31,505,070 | - | - | - |
| Total Assets | \$ 98,980,293 | \$ 6,092,752 | \$ 10,034,922 | \$ 26,098,506 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,171,828 | \$ 65,923 | \$ 794,371 | \$ 1,791,370 |
| Accrued liabilities | 1,639,192 | 10,225 | 616,801 | - |
| Due to other funds (note 7) | 230,766 | - | - | - |
| Deferred revenue | 26,233,423 | 1,739 | 231,374 | - |
| Unearned revenues | 2,431,575 | - | - | - |
| Advances from other funds (note 7) | - | - | - | - |
| Deposits payable | - | - | 118,832 | - |
| Due to other governments | 14,198,829 | 5,481,497 | 8 | - |
| Total Liabilities | 45,905,613 | 5,559,384 | 1,761,386 | 1,791,370 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Reserved for encumbrances | 706,230 | 173,832 | 142,805 | - |
| Reserved for prepaid and other assets | 9,802 | 699 | 1,235 | - |
| Reserved for debt service | 1,000,000 | - | - | - |
| Reserved for long-term receivables | - | - | - | - |
| Reserved for advances to other funds | 6,264,460 | - | - | - |
| Reserved for future projects | - | - | - | - |
| Reserved for endowments | - | - | - | - |
| Reserved for revolving line of credit | 5,600,000 | - | - | - |
| Unreserved: | | | | |
| Unreserved, reported in nonmajor: | | | | |
| Special revenue funds | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Designated for continuing appropriations | 968,598 | 150,150 | 1,027,268 | - |
| Designated for emergency equipment | - | 208,687 | - | - |
| Designated for capital improvement projects | 17,027,490 | - | 4,181,411 | - |
| Designated for development services | 5,300,000 | - | - | - |
| Designated for contingencies | 14,482,720 | - | 1,041,231 | - |
| Designated for net unrealized investment gain | 516,254 | - | - | - |
| Designated for equipment for building and safety | 99,126 | - | - | - |
| Designated for debt service contribution | - | - | - | - |
| Designated for post-employment retirement benefits | 1,100,000 | - | - | - |
| Designated for developer credits and reimbursements | - | - | - | (961,723) |
| Undesignated | - | - | 1,879,586 | 25,268,859 |
| Total Fund Balances | 53,074,680 | 533,368 | 8,273,536 | 24,307,136 |
| Total Liabilities and Fund Balances | \$ 98,980,293 | \$ 6,092,752 | \$ 10,034,922 | \$ 26,098,506 |

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> |
| \$ 31,937,979 | \$ 19,156,363 | \$ 79,223,960 | 224,985,524 |
| - | 200,368 | 1,422,934 | 4,389,960 |
| - | 8,279,629 | 2,655,949 | 10,935,578 |
| - | 100,926 | 156,266 | 2,979,780 |
| - | 260 | 18,939 | 30,935 |
| - | 202,929 | 1,685,184 | 8,159,763 |
| - | 4,500 | - | 3,266,049 |
| - | 313,499 | 580,657 | 32,399,226 |
| <u>\$ 31,937,979</u> | <u>\$ 28,258,474</u> | <u>\$ 85,743,889</u> | <u>\$ 287,146,815</u> |
| | | | |
| \$ 806,109 | \$ 182,525 | \$ 1,940,300 | \$ 6,752,426 |
| 9,812 | 109,068 | 614,091 | 2,999,189 |
| - | 4,592 | 3,030,691 | 3,266,049 |
| - | 100,926 | 4,923,765 | 31,491,227 |
| - | - | 129,628 | 2,561,203 |
| - | 30,758,029 | 13,499 | 30,771,528 |
| - | - | - | 118,832 |
| - | 1,544,908 | 338,396 | 21,563,638 |
| <u>815,921</u> | <u>32,700,048</u> | <u>10,990,370</u> | <u>99,524,092</u> |
| | | | |
| 4,527,615 | 5,217,282 | 11,665,341 | 22,433,105 |
| - | 260 | 18,939 | 30,935 |
| - | - | 15,830,639 | 16,830,639 |
| - | 8,279,629 | 2,655,949 | 10,935,578 |
| - | 313,499 | 580,657 | 7,158,616 |
| - | - | 88,800 | 88,800 |
| - | - | 62,537 | 62,537 |
| - | - | - | 5,600,000 |
| | | | |
| - | - | 15,739,049 | 15,739,049 |
| - | - | 28,111,608 | 28,111,608 |
| 26,594,443 | - | - | 28,740,459 |
| - | - | - | 208,687 |
| - | - | - | 21,208,901 |
| - | - | - | 5,300,000 |
| - | - | - | 15,523,951 |
| - | - | - | 516,254 |
| - | - | - | 99,126 |
| - | - | - | - |
| - | - | - | 1,100,000 |
| - | - | - | (961,723) |
| - | (18,252,244) | - | 8,896,201 |
| <u>31,122,058</u> | <u>(4,441,574)</u> | <u>74,753,519</u> | <u>187,622,723</u> |
| <u>\$ 31,937,979</u> | <u>\$ 28,258,474</u> | <u>\$ 85,743,889</u> | <u>\$ 287,146,815</u> |

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CITY OF MORENO VALLEY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

| | |
|-------------------------------------|----------------|
| Fund balances of governmental funds | \$ 187,622,723 |
|-------------------------------------|----------------|

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).

| | |
|--------------------------|---------------|
| Capital Assets | 823,856,299 |
| Accumulated Depreciation | (204,299,144) |

Long-term debt and compensated absences that have not been included in the governmental fund activity:

| | |
|------------------------|--------------|
| Long-term debt payable | (76,576,667) |
| Compensated absences | (1,985,209) |

| | |
|--|-----------|
| Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. | (653,854) |
|--|-----------|

| | |
|--|------------|
| 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. | 31,491,227 |
|--|------------|

| | |
|---|------------|
| 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. | 33,318,076 |
|---|------------|

| | |
|---------------------------------------|----------------|
| Net assets of governmental activities | \$ 792,773,451 |
|---------------------------------------|----------------|

CITY OF MORENO VALLEY
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

| | Special Revenue Funds | | | |
|--|-----------------------|-------------------|---------------------|-------------------------------|
| | General | Fire Services | CSD Zones | Development Impact Fees |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 7,701,156 | \$ 6,320,978 | \$ 4,257,285 | \$ - |
| Property taxes in lieu | 14,150,000 | - | - | - |
| Utility taxes | 15,463,291 | - | - | - |
| Sales taxes | 13,116,271 | - | - | - |
| Other taxes | 7,302,860 | - | 724,411 | - |
| Licenses and permits | 13,254,412 | 18,936 | - | - |
| Intergovernmental | 2,244,867 | 46,056 | 100,777 | - |
| Charges for services | 3,002,517 | - | 10,876,578 | 10,088,458 |
| Use of money and property | 7,400,124 | 52,256 | 379,999 | 1,662,700 |
| Fines and forfeitures | 1,135,534 | - | 23,816 | - |
| Miscellaneous | 423,697 | - | 197,779 | - |
| Total Revenues | 85,194,729 | 6,438,226 | 16,560,645 | 11,751,158 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 9,377,507 | - | - | - |
| Public safety | 36,014,922 | 13,307,842 | - | - |
| Community development | 7,918,215 | - | - | - |
| Community and cultural | - | - | 16,720,756 | - |
| Public works | 6,857,718 | - | - | 891,007 |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total Expenditures | 60,168,362 | 13,307,842 | 16,720,756 | 891,007 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 25,026,367 | (6,869,616) | (160,111) | 10,860,151 |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | - | - | - | - |
| Transfers in (note 7) | 977,526 | 6,083,577 | 1,298,294 | - |
| Transfers out (note 7) | (10,658,318) | - | (874,983) | (15,540,282) |
| Total Other Financing Sources (Uses) | (9,680,792) | 6,083,577 | 423,311 | (15,540,282) |
| Net Change in Fund Balances | 15,345,575 | (786,039) | 263,200 | (4,680,131) |
| Fund Balances, Beginning of Year, As Restated As Restated (note 10) | 37,729,105 | 1,319,407 | 8,010,336 | 28,987,267 |
| Fund Balances, End of Year | \$ 53,074,680 | \$ 533,368 | \$ 8,273,536 | \$ 24,307,136 |

See Notes to Basic Financial Statements.

| Capital Projects Funds | | | |
|---|---|---|---|
| Lease Revenue Bonds 2005 | Community Redevelopment Agency | Other Governmental Funds | Total Governmental Funds |
| \$ - | \$ 8,567,306 | \$ 7,284 | \$ 26,854,009 |
| - | - | - | 14,150,000 |
| - | - | - | 15,463,291 |
| - | 1,026,544 | 1,558,645 | 15,701,460 |
| - | - | 1,610,579 | 9,637,850 |
| - | - | 279,635 | 13,552,983 |
| - | 142,552 | 14,169,002 | 16,703,254 |
| - | - | 1,079,023 | 25,046,576 |
| 1,627,597 | 1,011,411 | 1,332,629 | 13,466,716 |
| - | - | - | 1,159,350 |
| - | 1,387 | 467,086 | 1,089,949 |
| 1,627,597 | 10,749,200 | 20,503,883 | 152,825,438 |
| - | 1,846,746 | 836,536 | 12,060,789 |
| - | - | 953,428 | 50,276,192 |
| - | 319,588 | 1,878,855 | 10,116,658 |
| - | - | 2,566,051 | 19,286,807 |
| 12,637,147 | - | 11,005,376 | 31,391,248 |
| - | - | 3,095,000 | 3,095,000 |
| - | 2,766,829 | 5,709,921 | 8,476,750 |
| - | - | 326,385 | 326,385 |
| 12,637,147 | 4,933,163 | 26,371,552 | 135,029,829 |
| (11,009,550) | 5,816,037 | (5,867,669) | 17,795,609 |
| - | - | 5,870,000 | 5,870,000 |
| - | - | 25,062,845 | 33,422,242 |
| - | (2,844,549) | (608,799) | (30,526,931) |
| - | (2,844,549) | 30,324,046 | 8,765,311 |
| (11,009,550) | 2,971,488 | 24,456,377 | 26,560,920 |
| 42,131,608 | (7,413,062) | 50,297,142 | 161,061,803 |
| \$ 31,122,058 | \$ (4,441,574) | \$ 74,753,519 | \$ 187,622,723 |

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, 2007

Net change in fund balances - total governmental funds \$ 26,560,920

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 (\$89,193,261) exceeded depreciation (\$16,423,486) in the current period. 72,769,775

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. 3,327,790

Accrued interest for general long-term liabilities. This is the net change in accrued interest for the current period. (21,869)

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. (52,840)

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. 3,914,689

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. 781,687

Change in net assets of governmental activities \$ 107,280,152

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON STATEMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 5,462,000 | \$ 5,462,000 | \$ 7,701,156 | \$ 2,239,156 |
| Property taxes in lieu | 14,240,000 | 14,240,000 | 14,150,000 | (90,000) |
| Utility taxes | 14,766,000 | 14,766,000 | 15,463,291 | 697,291 |
| Sales taxes | 12,864,000 | 12,864,000 | 13,116,271 | 252,271 |
| Other taxes | 8,061,000 | 8,061,000 | 7,302,860 | (758,140) |
| Licenses and permits | 11,204,148 | 11,204,148 | 13,254,412 | 2,050,264 |
| Intergovernmental | 1,490,000 | 1,490,000 | 2,244,867 | 754,867 |
| Charges for services | 2,659,833 | 2,659,833 | 3,002,517 | 342,684 |
| Use of money and property | 4,050,000 | 4,050,000 | 7,400,124 | 3,350,124 |
| Fines and forfeitures | 895,000 | 895,000 | 1,135,534 | 240,534 |
| Miscellaneous | 637,750 | 637,750 | 423,697 | (214,053) |
| Total Revenues | 76,329,731 | 76,329,731 | 85,194,729 | 8,864,998 |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| City Council | 642,807 | 647,742 | 538,045 | 109,697 |
| Administrative and Policy | 1,110,949 | 1,138,937 | 988,503 | 150,434 |
| City Clerk | 833,394 | 1,038,835 | 809,213 | 229,622 |
| Economic Development | 929,834 | 1,135,032 | 493,720 | 641,312 |
| City Attorney | 1,115,883 | 1,215,883 | 1,014,678 | 201,205 |
| Communications | 462,672 | 472,194 | 428,032 | 44,162 |
| Human Resources | 1,207,580 | 1,257,580 | 1,100,075 | 157,505 |
| Finance | 3,775,910 | 3,786,660 | 3,565,828 | 220,832 |
| Nondepartmental | (126,086) | (85,941) | 439,413 | (525,354) |
| Total general government | 9,952,943 | 10,606,922 | 9,377,507 | 1,229,415 |
| Public safety: | | | | |
| Police | 32,989,426 | 33,463,195 | 31,373,462 | 2,089,733 |
| Fire Inspection | 878,375 | 892,878 | 922,240 | (29,362) |
| Animal Control | 3,189,050 | 3,327,014 | 2,457,635 | 869,379 |
| Volunteer/disaster services | 749,276 | 798,276 | 699,592 | 98,684 |
| Crossing Guards | 659,460 | 659,460 | 561,993 | 97,467 |
| Total public safety | 38,465,587 | 39,140,823 | 36,014,922 | 3,125,901 |
| Community development | 9,130,475 | 9,113,469 | 7,918,215 | 1,195,254 |
| Public works | 7,304,035 | 8,173,768 | 6,857,718 | 1,316,050 |
| Total Expenditures | 64,853,040 | 67,034,982 | 60,168,362 | 6,866,620 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 11,476,691 | 9,294,749 | 25,026,367 | 15,731,618 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 150,995 | 1,209,242 | 977,526 | (231,716) |
| Transfers out | (5,371,798) | (5,855,800) | (10,658,318) | (4,802,518) |
| Total Other Financing Sources (Uses) | (5,220,803) | (4,646,558) | (9,680,792) | (5,034,234) |
| Net Change in Fund Balances | 6,255,888 | 4,648,191 | 15,345,575 | 10,697,384 |
| Fund Balances, Beginning of Year | 37,729,105 | 37,729,105 | 37,729,105 | - |
| Fund Balances, End of Year | \$ 43,984,993 | \$ 42,377,296 | \$ 53,074,680 | \$ 10,697,384 |

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON STATEMENT
 FIRE SERVICES SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> <u>Final Budget</u> |
|--|------------------------------|------------------------------|--------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Positive</u> <u>(Negative)</u> |
| Revenues: | | | | |
| Property taxes | \$ 5,000,000 | \$ 5,000,000 | \$ 6,320,978 | \$ 1,320,978 |
| Licenses and permits | 29,000 | 29,000 | 18,936 | (10,064) |
| Intergovernmental | 70,000 | 70,000 | 46,056 | (23,944) |
| Use of money and property | - | - | 52,256 | 52,256 |
| Total Revenues | <u>5,099,000</u> | <u>5,099,000</u> | <u>6,438,226</u> | <u>1,339,226</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 12,560,215 | 14,217,943 | 13,307,842 | 910,101 |
| Total Expenditures | <u>12,560,215</u> | <u>14,217,943</u> | <u>13,307,842</u> | <u>910,101</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (7,461,215) | (9,118,943) | (6,869,616) | 2,249,327 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | 875,000 | 6,083,577 | 5,208,577 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>875,000</u> | <u>6,083,577</u> | <u>5,208,577</u> |
| Net Change in Fund Balances | (7,461,215) | (8,243,943) | (786,039) | 7,457,904 |
| Fund Balances, Beginning of Year | 1,319,407 | 1,319,407 | 1,319,407 | - |
| Fund Balances, End of Year | <u>\$ (6,141,808)</u> | <u>\$ (6,924,536)</u> | <u>\$ 533,368</u> | <u>\$ 7,457,904</u> |

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON STATEMENT
 CSD ZONES SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual</u> Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 3,937,262 | \$ 3,937,262 | \$ 4,257,285 | \$ 320,023 |
| Other taxes | 596,000 | 596,000 | 724,411 | 128,411 |
| Intergovernmental | 70,000 | 70,000 | 100,777 | 30,777 |
| Charges for services | 11,058,590 | 11,058,590 | 10,876,578 | (182,012) |
| Use of money and property | 249,730 | 249,730 | 379,999 | 130,269 |
| Fines and forfeitures | 30,000 | 30,000 | 23,816 | (6,184) |
| Miscellaneous | 72,992 | 72,992 | 197,779 | 124,787 |
| Total Revenues | <u>16,014,574</u> | <u>16,014,574</u> | <u>16,560,645</u> | <u>546,071</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 18,634,620 | 20,075,858 | 16,720,756 | 3,355,102 |
| Total Expenditures | <u>18,634,620</u> | <u>20,075,858</u> | <u>16,720,756</u> | <u>3,355,102</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(2,620,046)</u> | <u>(4,061,284)</u> | <u>(160,111)</u> | <u>3,901,173</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 1,480,975 | 1,501,206 | 1,298,294 | (202,912) |
| Transfers out | (211,832) | (211,832) | (874,983) | (663,151) |
| Total Other Financing Sources (Uses) | <u>1,269,143</u> | <u>1,289,374</u> | <u>423,311</u> | <u>(866,063)</u> |
| Net Change in Fund Balances | (1,350,903) | (2,771,910) | 263,200 | 3,035,110 |
| Fund Balances, Beginning of Year | <u>8,010,336</u> | <u>8,010,336</u> | <u>8,010,336</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 6,659,433</u> | <u>\$ 5,238,426</u> | <u>\$ 8,273,536</u> | <u>\$ 3,035,110</u> |

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON STATEMENT
 DEVELOPMENT IMPACT FEES SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 20,351,000 | \$ 20,351,000 | \$ 10,088,458 | \$ (10,262,542) |
| Use of money and property | 630,000 | 630,000 | 1,662,700 | 1,032,700 |
| Total Revenues | 20,981,000 | 20,981,000 | 11,751,158 | (9,229,842) |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | - | - | 891,007 | (891,007) |
| Total Expenditures | - | - | 891,007 | (891,007) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 20,981,000 | 20,981,000 | 10,860,151 | (10,120,849) |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (1,120,432) | (5,457,172) | (15,540,282) | (10,083,110) |
| Total Other Financing Sources (Uses) | (1,120,432) | (5,457,172) | (15,540,282) | (10,083,110) |
| Net Change in Fund Balances | 19,860,568 | 15,523,828 | (4,680,131) | (20,203,959) |
| Fund Balances, Beginning of Year | 28,987,267 | 28,987,267 | 28,987,267 | - |
| Fund Balances, End of Year | \$ 48,847,835 | \$ 44,511,095 | \$ 24,307,136 | \$ (20,203,959) |

ENTERPRISE FUNDS

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, 2007

| | <u>Enterprise Fund - Electric</u> | <u>Governmental Activities - Internal Service Funds</u> |
|--|---|---|
| Assets: | | |
| Current: | | |
| Cash and investments | \$ 21,154,236 | \$ 26,837,994 |
| Receivables: | | |
| Accounts | 1,294,475 | 85,946 |
| Prepaid costs | 50 | 27,793 |
| Inventories | <u>-</u> | <u>24,697</u> |
| Total Current Assets | <u>22,448,761</u> | <u>26,976,430</u> |
| Noncurrent: | | |
| Capital assets, net of accumulated depreciation (note 5) | <u>33,529,182</u> | <u>10,350,780</u> |
| Total Noncurrent Assets | <u>33,529,182</u> | <u>10,350,780</u> |
| Total Assets | <u>\$ 55,977,943</u> | <u>\$ 37,327,210</u> |
| Liabilities and Net Assets: | | |
| Liabilities: | | |
| Current: | | |
| Accounts payable | \$ 4,369,652 | \$ 517,105 |
| Accrued liabilities | 28,704 | 317,029 |
| Interest payable | 251,091 | - |
| Deposits payable | 898,782 | - |
| Liability payable from restricted assets | 1,009,118 | - |
| Bonds, notes, and loans payable - current (Note 6) | <u>117,425</u> | <u>-</u> |
| Total Current Liabilities | <u>6,674,772</u> | <u>834,134</u> |
| Noncurrent: | | |
| Advances from other funds | 1,627,698 | - |
| Advances from developers | 1,143,652 | - |
| Advances from operator | 309,934 | - |
| Self-insurance payable | - | 3,175,000 |
| Bonds, notes and loans payable - noncurrent (Note 6) | <u>31,121,190</u> | <u>-</u> |
| Total Noncurrent Liabilities | <u>34,202,474</u> | <u>3,175,000</u> |
| Total Liabilities | <u>40,877,246</u> | <u>4,009,134</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 18,554,948 | 10,350,780 |
| Restricted for regulatory contingencies | 1,604,444 | - |
| Unrestricted | <u>(5,058,695)</u> | <u>22,967,296</u> |
| Total Net Assets | <u>15,100,697</u> | <u>33,318,076</u> |
| Total Liabilities and Net Assets | <u>\$ 55,977,943</u> | <u>\$ 37,327,210</u> |

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, 2007

| | Enterprise Fund - Electric | Governmental Activities - Internal Service Funds |
|---|----------------------------------|---|
| Operating Revenues: | | |
| Sales and service charges | \$ 7,965,735 | \$ 14,662,732 |
| Miscellaneous | 336,681 | 216,309 |
| Total Operating Revenues | <u>8,302,416</u> | <u>14,879,041</u> |
| Operating Expenses: | | |
| Electricity purchased | 4,043,543 | - |
| Services and supplies | 2,122,026 | - |
| Distribution Share | 691,417 | - |
| Cost of services | - | 8,578,379 |
| Self-insurance claims and charges | - | 1,432,309 |
| Depreciation | 506,993 | 1,115,504 |
| Total Operation Expenses | <u>7,363,979</u> | <u>11,126,192</u> |
| Operating Income (Loss) | <u>938,437</u> | <u>3,752,849</u> |
| Nonoperating Revenues (Expenses): | | |
| Investment earnings | 132,472 | - |
| Interest expense | (284,359) | - |
| Engineering plan check fees | 277,209 | - |
| Bond issuance costs | (650,617) | - |
| Total Nonoperating Revenues (Expenses) | <u>(525,295)</u> | <u>-</u> |
| Income (Loss) Before Transfers | 413,142 | 3,752,849 |
| Transfers in (note 7) | 231,074 | 669,600 |
| Transfers out (note 7) | (155,223) | (3,640,762) |
| Capital contributions | 1,604,577 | - |
| Changes in Net Assets | <u>2,093,570</u> | <u>781,687</u> |
| Net Assets: | | |
| Beginning of Fiscal Year, As Restated | <u>13,007,127</u> | <u>32,536,389</u> |
| Net assets at end of year | <u>\$ 15,100,697</u> | <u>\$ 33,318,076</u> |

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | Enterprise Fund - Electric | Governmental Activities - Internal Service Fund |
|---|----------------------------------|--|
| Cash Flows from Operating Activities: | | |
| Cash received from customers | \$ 8,154,728 | \$ 14,608,482 |
| Cash payments to suppliers for goods and services | (3,149,327) | (5,231,567) |
| Cash payments for claims | - | (1,490,309) |
| Cash payments to employees for services | (213,226) | (3,450,692) |
| Other operating revenues (expenses) | <u>336,681</u> | <u>216,309</u> |
| Net Cash Provided (Used) by Operating Activities | <u>5,128,856</u> | <u>4,652,223</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Cash received from other funds | 299,252 | 669,600 |
| Cash paid to other funds | (155,223) | (3,640,762) |
| Advances received from operator | <u>182,280</u> | <u>-</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>326,309</u> | <u>(2,971,162)</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (14,821,755) | (311,893) |
| Engineering plan check fees | 277,209 | - |
| Advances repaid to developers | (459,500) | - |
| Capital contributions | 1,008,578 | - |
| Proceeds from capital-related debt | 25,114,383 | - |
| Principal paid on capital-related debt | (108,989) | - |
| Interest and fiscal charges on capital-related debt | <u>(33,268)</u> | <u>-</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>10,976,658</u> | <u>(311,893)</u> |
| Cash Flows from Investing Activities: | | |
| Interest received | <u>132,472</u> | <u>-</u> |
| Net Cash Provided (Used) by Investing Activities | <u>132,472</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Investments | 16,564,295 | 1,369,168 |
| Cash and Cash Equivalents at Beginning of Year, as Restated | <u>4,589,941</u> | <u>25,468,826</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 21,154,236</u> | <u>\$ 26,837,994</u> |
| Reconciliation of Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | <u>\$ 938,437</u> | <u>\$ 3,752,849</u> |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 506,993 | 1,115,504 |
| Decrease (increase) in accounts receivable | (198,216) | (54,250) |
| Decrease (increase) in prepaid costs | (50) | 3,103 |
| Decrease (increase) in inventories | - | (3,040) |
| Increase (decrease) in accounts payable | 2,899,608 | (154,716) |
| Increase (decrease) in accrued liabilities | 13,791 | 50,773 |
| Increase (decrease) in deposits payable | 387,209 | - |
| Increase (decrease) in liability payable from restricted assets | 570,824 | - |
| Increase (decrease) in compensated absences | 10,260 | - |
| Increase (decrease) in self-insurance payable | <u>-</u> | <u>(58,000)</u> |
| Total Adjustments | <u>4,190,419</u> | <u>899,374</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 5,128,856</u> | <u>\$ 4,652,223</u> |
| Schedule of Noncash Investing, Capital and Noncapital Financing Activities: | | |
| Contributions of capital assets | <u>\$ 595,999</u> | <u>\$ -</u> |

See Notes to Basic Financial Statements.

CITY OF MORENO VALLEY

STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2007

Assets:

| | | |
|--|-----------|--------------------------|
| Cash and investments (note 3) | \$ | 9,383,494 |
| Receivables (net of allowance for uncollectibles): | | |
| Accounts | | 85,794 |
| Interest | | 3,540 |
| Due from other governments | | 26,416 |
| Restricted assets: | | |
| Cash and investments with fiscal agents | | <u>861,094</u> |
| Total Assets | \$ | <u>10,360,338</u> |

Liabilities:

| | | |
|---------------------------|-----------|--------------------------|
| Accounts payable | \$ | 61,182 |
| Other accrued liabilities | | 1,295 |
| Deposits payable | | 9,270,793 |
| Payable to trustee | | <u>1,027,068</u> |
| Total Liabilities | \$ | <u>10,360,338</u> |

See Notes to Basic Financial Statements.

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City of Moreno Valley
Notes to Basic Financial Statements
Year ended June 30, 2007

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. 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 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.

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 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.

Agency funds use the accrual basis of accounting. Agency funds are not considered to have a measurement focus for financial reporting purposes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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 community service 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 "advances to/from 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.

Inventory and Prepaid Items

Inventories in the Central Services Internal Service Fund and the Equipment Maintenance Internal Service Fund are 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.

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.

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)

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.

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

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

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

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."

The details of this \$72,769,775 difference are as follows:

| | |
|---|----------------------|
| Capital outlay | \$ 22,319,452 |
| Depreciation expense | (18,373,257) |
| Contributed assets | <u>68,823,580</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>\$ 72,769,775</u> |

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

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.

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 Community Redevelopment Agency, PW Capital Projects, Park Acquisition and Development Capital Projects, Celebration Park Endowment 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, 2007, cash and investments were reported in the accompanying financial statements as follows:

| | |
|----------------------------|-----------------------|
| Governmental activities | \$ 251,813,820 |
| Business-Type Activities | 21,154,236 |
| Fiduciary funds | <u>10,244,588</u> |
| Total Cash and Investments | <u>\$ 283,212,644</u> |

Cash and investments as of June 30, 2007 consist of the following:

| | |
|--------------------------------------|-----------------------|
| Deposits with financial institutions | \$ 6,876,675 |
| Investments | <u>276,335,969</u> |
| Total Cash and Investments | <u>\$ 283,212,644</u> |

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

Note 3: Cash and Investments (Continued)

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, 2007, the carrying amount of the City's deposits was \$6,876,675 and the bank balance was \$9,536,532. The \$2,659,857 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. 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

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

Note 3: Cash and Investments (Continued)

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.

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, 2007, the City's investment in medium term notes consisted of investments with Abbott Labs, American General Finance Corp., American Express Corp., Bear Stearns Co., Berkshire Hathaway, Citigroup, CIT Group, Credit Suisse, General Electric Capital Corp., Goldman Sachs, HSBC Finance Corp., Home Depot, IBM, JP Morgan, Lehman Bros, Marshall IIsley, MBNA, Merrill Lynch, Morgan Stanley, Suntrust Bank, Unilever Capital, Wal-Mart Stores, Wachovia Corp and World Savings Bank,. 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. Federal agency securities are rated AAA. Investments in U.S. Treasury securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2007, 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, 2007, none of the City's deposits or investments were exposed to disclosable custodial credit risk.

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

Note 3: Cash and Investments (Continued)

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, 2007, 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 | 8.87% |
| Federal Home Loan Bank | 22.69% |
| Federal Home Loan Mortgage Corp. | 12.15% |
| Federal National Mortgage Assn. | 8.68% |

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, 2007, the City had the following investments and original maturities:

| Investment Type | 6 months to 1 | | | | More than 5 years | Fair Value |
|-------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|
| | 6 months or less | year | 1 to 3 years | 3 to 5 years | | |
| Local Agency Investment Fund | \$ 40,142,919 | \$ - | \$ - | \$ - | \$ - | \$ 40,142,919 |
| Money Market Accounts | 27,500 | - | - | - | - | 27,500 |
| Commercial Paper | - | - | - | - | - | - |
| Negotiable Certificates of Deposit | - | - | 979,310 | - | - | 979,310 |
| Medium Term Notes | 2,003,230 | 975,810 | 22,257,075 | 22,995,910 | - | 48,232,025 |
| Federal Agricultural Mortgage Corp. | - | - | 982,720 | 975,932 | - | 1,958,652 |
| Federal Farm Credit Banks | 2,987,820 | 1,977,500 | 9,856,900 | 3,994,380 | - | 18,816,600 |
| Federal Home Loan Bank | 9,980,940 | 5,427,960 | 12,860,320 | 19,846,270 | - | 48,115,490 |
| Federal Home Loan Mortgage Corp. | 994,370 | 4,933,170 | 5,915,830 | 13,921,640 | - | 25,765,010 |
| Federal National Mortgage Assn. | - | 1,976,250 | 7,537,887 | 8,969,390 | - | 18,483,527 |
| Held by Bond Trustee: | | | | | | |
| U.S. Treasury Bills | 1,520,569 | - | - | - | - | 1,520,569 |
| Money Market Funds | 21,017,603 | - | - | - | - | 21,017,603 |
| Commercial Paper | | | | | | |
| San Paulo US Financial | 1,593,008 | - | - | - | - | 1,593,008 |
| UBS Financial | 1,387,778 | - | - | - | - | 1,387,778 |
| General Electric Capital Corp | 493,390 | - | - | - | - | 493,390 |
| General Electric Capital Svcs | 1,675,821 | - | - | - | - | 1,675,821 |
| Investment Agreements: | | | | | | |
| ISIS Funding Corp | - | - | 40,820,997 | - | - | 40,820,997 |
| 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>\$ 84,232,678</u> | <u>\$ 15,290,690</u> | <u>\$ 102,064,039</u> | <u>\$ 70,703,522</u> | <u>\$ 4,045,040</u> | <u>\$ 276,335,969</u> |

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

Note 4: Notes and Loans Receivables

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

Note 5: Capital Assets

General government capital asset activity for the year ended June 30, 2007 follows:

| | Balance July 1, 2006 | Adjustments | Balance July 1, 2006 as Adjusted | Additions | Deletions | Transfers | Balance June 30, 2007 |
|---|-------------------------|----------------|--|---------------|-------------|-------------|--------------------------|
| Non-Depreciable Assets: | | | | | | | |
| Land | \$ 303,767,017 | \$ - | \$ 303,767,017 | \$ 923,434 | \$ - | \$ 590,610 | \$ 305,281,061 |
| Construction-in- progress | 15,512,613 | (1,450,793) | 14,061,820 | 13,896,487 | - | (7,563,576) | 20,394,731 |
| Subtotal - Non- Depreciable Assets | 319,279,630 | (1,450,793) | 317,828,837 | 14,819,921 | - | (6,972,966) | 325,675,792 |
| Depreciable Assets: | | | | | | | |
| Buildings & Improvements | 87,815,465 | - | 87,815,465 | 4,269,938 | - | 664,253 | 92,749,656 |
| Machinery and equipment | 9,169,011 | - | 9,169,011 | 333,084 | (13,219) | 283,871 | 9,772,747 |
| Vehicles | 7,856,230 | - | 7,856,230 | 2,003,542 | (858,019) | - | 9,001,753 |
| Infrastructure | 330,420,426 | - | 330,420,426 | 68,932,252 | - | 6,024,842 | 405,377,520 |
| Subtotal - Depreciable Assets | 435,261,132 | - | 435,261,132 | 75,538,816 | (871,238) | 6,972,966 | 516,901,676 |
| Total Capital Assets | 754,540,762 | (1,450,793) | 753,089,969 | 90,358,737 | (871,238) | - | 842,577,468 |
| Less Accumulated Depreciation for: | | | | | | | |
| Buildings & Improvements | 27,348,373 | - | 27,348,373 | 2,905,981 | - | - | 30,254,354 |
| Machinery & equipment | 6,105,327 | 20,385 | 6,125,712 | 1,077,027 | (13,219) | - | 7,189,520 |
| Vehicles | 4,674,632 | - | 4,674,632 | 782,833 | (838,707) | - | 4,618,758 |
| Infrastructure | 156,998,297 | 1,188 | 156,999,485 | 13,607,416 | - | - | 170,606,901 |
| Total Accumulated Depreciation | 195,126,629 | 21,573 | 195,148,202 | 18,373,257 | (851,926) | - | 212,669,533 |
| Total Net Capital Assets | \$ 559,414,133 | \$ (1,472,366) | \$ 557,941,767 | \$ 71,985,480 | \$ (19,312) | \$ - | \$ 629,907,935 |

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

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

| | |
|---------------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 98,241 |
| Public safety | 801,622 |
| Community development | 76,403 |
| Community and cultural | 2,583,077 |
| Public works | 13,698,410 |
| Internal service funds | 1,115,504 |
| Total | \$18,373,257 |

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, 2007 follows:

| | Balance <u>July 1, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | Balance <u>June 30, 2007</u> |
|---------------------------------------|--------------------------------|----------------------|------------------|--------------------|---------------------------------|
| Non- Depreciable Assets: | | | | | |
| Land | \$ 1,287,459 | \$ - | \$ - | \$ - | \$ 1,287,459 |
| Construction-in- progress | <u>2,056,600</u> | <u>14,203,759</u> | <u>-</u> | <u>(2,056,600)</u> | <u>14,203,759</u> |
| Subtotal - Non- Depreciable Assets | 3,344,059 | 14,203,759 | - | (2,056,600) | 15,491,218 |
| Depreciable Assets: | | | | | |
| Infrastructure | <u>15,444,569</u> | <u>1,213,995</u> | <u>-</u> | <u>2,056,600</u> | <u>18,715,164</u> |
| Subtotal - Depreciable Assets | 15,444,569 | 1,213,995 | - | 2,056,600 | 18,715,164 |
| Total Capital Assets | 18,788,628 | 15,417,754 | - | - | 34,206,382 |
| Less Accumulated Depreciation for: | | | | | |
| Infrastructure | 170,207 | 506,993 | - | - | 677,200 |
| Total Accumulated Depreciation | <u>170,207</u> | <u>506,993</u> | <u>-</u> | <u>-</u> | <u>677,200</u> |
| Total Net Capital Assets | <u>\$ 18,618,421</u> | <u>\$ 14,910,761</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 33,529,182</u> |

Depreciation expense for business-type activities was charged as follows:

Electric Utility \$ 506,993

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, 2007:

| | Balance July 1, 2006 | Additions | Deletions | Balance June 30, 2007 | Due Within One Year |
|--|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Towngate Community Facilities District No. 87-1: | | | | | |
| Special Tax Refunding Bonds, Series A | \$ 10,585,000 | \$ - | \$ 415,000 | \$ 10,170,000 | \$ 440,000 |
| Special Tax Refunding Bonds, Series B | 3,025,000 | | 685,000 | 2,340,000 | 730,000 |
| Special Tax Bonds, Improvement Area No. 1 | 4,055,000 | | 120,000 | 3,935,000 | 125,000 |
| Community Facilities District No. 3: | | | | | |
| Auto Mall Special Tax Bonds | 5,680,000 | | 710,000 | 4,970,000 | 785,000 |
| Moreno Valley Public Facilities Financing Corporation: | | | | | |
| Refunding Certificates of Participation, Series 1997 | 7,115,000 | | 525,000 | 6,590,000 | 550,000 |
| Moreno Valley Public Financing Authority: | | | | | |
| Lease Revenue Bonds, 1997 | 4,430,000 | | 170,000 | 4,260,000 | 175,000 |
| Lease Revenue Bonds, 2005 | 43,100,000 | - | 470,000 | 42,630,000 | 555,000 |
| City: | | | | | |
| Compensated Absences | 1,932,369 | 2,055,189 | 1,992,089 | 1,995,469 | - |
| Child Development Portable Classrooms | 115,072 | | 24,659 | 90,413 | 24,658 |
| Community Redevelopment Agency: | | | | | |
| Notes Payable, Price Company | 2,462,131 | | - | 2,462,131 | - |
| Price Company Accrued Interest | 356,806 | 225,515 | 433,646 | 148,675 | - |
| | <u>\$ 82,856,378</u> | <u>\$ 2,280,704</u> | <u>\$ 5,545,394</u> | <u>\$ 79,591,688</u> | <u>\$ 3,384,658</u> |

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.

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, 2001. 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.

Note 6: Long-Term Debt (Continued)

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, 2010. 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.

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.

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

Note 6: Long-Term Debt (Continued)

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. Of the \$48,205,000 originally issued, the portion for the electric utility infrastructure (\$5,105,000) has been separated and is shown as long-term debt for business-type activities. 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, 2007, the amount of compensated absences liability which is not expected to be paid from available resources was \$1,995,469. 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, 2007 was \$90,413.

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, 2007, accrued interest amounted to \$148,675.

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, 2007 was \$5,408,000.

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, 2007 are as follows:

| Year Ending June 30, | Moreno Valley Public Financing Authority | | Community Facilities Districts | |
|----------------------------|---|----------------------|--------------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 730,000 | \$ 2,355,596 | \$ 2,080,000 | \$ 1,328,438 |
| 2009 | 1,050,000 | 2,318,986 | 2,245,000 | 1,186,093 |
| 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 | 1,205,000 | 2,156,650 | 730,000 | 814,797 |
| 2013-2017 | 6,955,000 | 9,843,550 | 4,435,000 | 3,307,503 |
| 2018-2022 | 8,715,000 | 8,027,313 | 6,095,000 | 1,648,569 |
| 2023-2027 | 9,275,000 | 5,848,300 | 1,160,000 | 339,198 |
| 2028-2032 | 11,075,000 | 3,616,589 | 530,000 | 84,000 |
| 2033-2035 | 10,745,000 | 965,672 | - | - |
| | <u>\$ 51,995,000</u> | <u>\$ 39,613,471</u> | <u>\$ 21,415,000</u> | <u>\$ 10,635,433</u> |

| Year Ending June 30, | Moreno Valley Public Facilities Financing Corporation | | City of Moreno Valley | |
|----------------------------|--|---------------------|-----------------------|-------------|
| | Principal | Interest | Principal | Interest |
| 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 | 645,000 | 118,125 | - | - |
| 2013-2017 | 3,615,000 | 279,675 | - | - |
| | <u>\$ 6,590,000</u> | <u>\$ 1,052,100</u> | <u>\$ 90,413</u> | <u>\$ -</u> |

The above schedules do not include the long-term debt for compensated absences nor maturities for the Community Redevelopment Agency debt, as fixed maturities have not been established.

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, 2007 was \$1,760,000. 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.

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

Note 6: Long-Term Debt (Continued)

The Community Facilities District No. 5 of the City of Moreno Valley 2007 Special Tax Bonds were issued to finance various public improvements needed to develop property located within the Community Facilities District No. 5 ("District"). The original issue amount was \$5,870,000. The Bonds are special limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes to be levied on and collected from the owners of the taxable land within the District and from certain other funds pledged under the Fiscal Agent Agreement dated May 1, 2007 by and between the City for and on behalf of the District and Wells Fargo Bank, National Association, as fiscal agent. The Special Taxes are to be levied according to the rates and method of apportionment approved by the City Council of the City and the qualified electors within the District. The City Council of the City is the legislative body of the District. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The City is in no way liable for repayment but is acting as an agent for the property owners in collecting the assessments and forwarding the collections to bondholders. Interest on the Bonds will be payable on September 1, 2007 and semiannually thereafter on each March 1 and September 1 thru 2037. Interest rates range from 4.00% to 5.00%. Principal on the Bonds is due each September 1 beginning 2009 and ending 2037.

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, 2007:

| | Balance July 1, 2006 | Additions | Deletions | Balance June 30, 2007 | Due Within One Year |
|------------------------------------|-------------------------|----------------------|-------------------|--------------------------|------------------------|
| Electrical Cabinets Capital Leases | \$ 467,286 | \$ - | \$ 108,989 | \$ 358,297 | \$ 117,367 |
| Lease Revenue Bonds, 2005 | 5,105,000 | - | - | 5,105,000 | - |
| Lease Revenue Bonds, 2007 | - | 25,765,000 | - | 25,765,000 | - |
| | <u>\$ 5,572,286</u> | <u>\$ 25,765,000</u> | <u>\$ 108,989</u> | <u>\$ 31,228,297</u> | <u>\$ 117,367</u> |

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, 2007 were as follows:

| Year Ending June 30, | Electrical Cabinets Capital Lease | |
|-------------------------|-----------------------------------|------------------|
| | Principal | Interest |
| 2008 | \$ 117,367 | \$ 17,633 |
| 2009 | 118,023 | 10,727 |
| 2010 | 80,343 | 4,657 |
| 2011 | 40,082 | 1,168 |
| 2012 | 2,482 | 18 |
| | <u>\$ 358,297</u> | <u>\$ 34,203</u> |

| Year Ending June 30, | Lease Revenue Bonds, 2005 | | Lease Revenue Bonds, 2007 | |
|-------------------------|---------------------------|---------------------|---------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ - | \$ 229,738 | \$ - | \$ 1,461,826 |
| 2009 | 95,000 | 227,600 | - | 1,441,801 |
| 2010 | 100,000 | 222,963 | 390,000 | 1,441,801 |
| 2011 | 100,000 | 218,213 | 405,000 | 1,421,974 |
| 2012 | 105,000 | 213,338 | 430,000 | 1,401,383 |
| 2013-2017 | 620,000 | 985,338 | 2,490,000 | 6,656,883 |
| 2018-2022 | 765,000 | 830,888 | 3,220,000 | 5,926,719 |
| 2023-2027 | 960,000 | 631,373 | 4,215,000 | 4,928,732 |
| 2028-2032 | 1,200,000 | 390,694 | 5,545,000 | 3,599,502 |
| 2033-2037 | 1,160,000 | 104,344 | 7,340,000 | 1,810,100 |
| 2038 | - | - | 1,730,000 | 99,475 |
| | <u>\$ 5,105,000</u> | <u>\$ 4,054,485</u> | <u>\$ 25,765,000</u> | <u>\$ 30,190,196</u> |

Electrical Cabinets Capital Lease

Between January 2004 and August 2006, 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. The outstanding balance as of June 30, 2007 was \$358,297.

Lease Revenue Bonds, 2005

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. Of the \$48,205,000 originally issued, the portion for the electric utility infrastructure (\$5,105,000) has been separated and is shown as long-term debt for business-type activities. 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.

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

Lease Revenue Bonds, 2007

Lease Revenue Bonds 2007 (Taxable) in the original issue amount of \$25,765,000 were issued for the purpose of financing a City-owned 115kV to 12kV substation, a 115kV to 12kV switchyard adjacent to the substation, and other infrastructure improvements to support planned growth of the City-owned electrical distribution system. The bonds mature in serial and term fashion through May 1, 2038 and bear interest ranging from 5.084% to 5.75%. The bonds are subject to both optional and mandatory redemption beginning May 1, 2017. The bonds are payable from lease payments made by the City under a project lease dated May 1, 2007, 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 115kV to 12kV substation. This issue is fully insured in the event of nonpayment by the City.

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

Note 7: Interfund Receivables, Payables and Transfers

a. Due To/From Other Funds

| Funds | Interfund Receivables | Interfund Payables |
|--------------------------------|--------------------------|---------------------|
| Major Governmental Funds: | | |
| General | \$ 770,891 | \$ 230,766 |
| Special Revenue Funds: | | |
| CSD Zones | 230,766 | - |
| Development Impact Fees | 2,259,892 | - |
| Capital Projects Funds: | | |
| Community Redevelopment Agency | 4,500 | 4,592 |
| Nonmajor Governmental Funds | - | 3,030,691 |
| Total | <u>\$ 3,266,049</u> | <u>\$ 3,266,049</u> |

The City of Moreno Valley utilizes the State of California Local Agency Investment Fund (LAIF) as a short-term investment tool. In June 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, 2007 were (\$230,766) and \$4,592, respectively.

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

| | |
|---|------------------|
| NPDES-CSA Fund | 89,053 |
| Storm Water Maintenance | 124,822 |
| Used Oil Recycling Fund | 22,958 |
| Child Care Grant Fund | 117,400 |
| Towngate Capital/Administration Fund | 289,328 |
| Centerpointe 87-4 Capital/Administration Fund | 122,739 |
| | <u>\$766,300</u> |

The Arterial Streets Development Impact Fee Fund made a short-term loan of \$2,259,892 to the TUMF Capital Projects 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 \$17,999 of which the current portion is \$4,500 and the long-term portion is \$13,499. The loan was made in 1995-1996. Repayments are made annually and will be complete in 2010-2011.

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

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

b. Advances To/From Other Funds

| Funds | Interfund Receivables | Interfund Payables |
|--------------------------------|--------------------------|--------------------|
| Major Governmental Funds: | | |
| General | \$ 31,505,070 | |
| Capital Projects Funds: | | |
| Community Redevelopment Agency | 313,499 | 30,758,029 |
| Nonmajor Governmental Funds | 580,657 | 13,499 |
| Proprietary Funds: | | |
| Electric | | 1,627,698 |
| Total | \$ 32,399,226 | \$ 32,399,226 |

The long-term payable to the City of Moreno Valley from the Redevelopment Agency Capital Projects Fund includes \$67,077 representing monies borrowed in prior fiscal years by the Redevelopment Agency to finance redevelopment activities. In addition to the \$67,077, in January 2007 the City loaned the Agency \$518,520, with an interest rate of 12%, to help facilitate the financing of redevelopment projects. Repayment of the long-term payable will be made when funds becomes available.

The Community Redevelopment Agency Capital Projects Fund has advanced \$13,499 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 \$747,041 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, 2007, accrued interest amounts to \$3,466,377.

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 \$11,474,822 after the initial payments of \$2,700,000 and \$29,124. 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. At June 30, 2007, accrued interest amounts to \$2,231,233.

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.

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

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

c. Interfund Transfers

| Funds | Transfers In | Transfers Out |
|--------------------------------|----------------------|----------------------|
| Major Governmental Funds: | | |
| General | \$ 977,526 | \$ 10,658,318 |
| Special Revenue Funds: | | |
| Fire Services | 6,083,577 | - |
| CSD Zones | 1,298,294 | 874,983 |
| Development Impact Fees | | 15,540,282 |
| Capital Projects Funds: | | |
| Lease Revenue Bonds 2005 | - | - |
| Community Redevelopment Agency | - | 2,844,549 |
| Nonmajor Governmental Funds | 25,062,845 | 608,799 |
| Proprietary Funds: | | |
| Electric | 231,074 | 155,223 |
| Internal Service Funds | 669,600 | 3,640,762 |
| Total | \$ 34,322,916 | \$ 34,322,916 |

During the 2006-2007 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: | |
| Public Safety Building Capital Improvements | \$ 326,000 |
| Heacock & Cactus Channel Improvements Project | 210,000 |
| Veteran's Memorial | 776,000 |
| Fire Services Capital Fund: | |
| Future Fire Stations | \$ 1,440,000 |
| Technology Services Internal Service Fund: | |
| Interactive Voice Response System Project | \$ 105,100 |

The General Fund transferred \$31,075 to the Universal Hiring Grant Fund. The amount represents additional required matching funds for a three-year grant accepted by the City Council.

The General Fund transferred \$98,860 to the JAG Grant Fund. The amount represents required matching funds for a grant accepted by the City Council.

The General Fund transferred \$98,000 to the Fire Services Operations Fund for equipping a fire engine.

The General Fund transferred \$103,388 to the CSD Zone M Median Fund for median maintenance.

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

c. Interfund Transfers

The principal and interest payments for 2006-2007 in the Public Safety Bond Fund totaled \$402,525. The General Fund transferred \$252,525 and the Community Redevelopment Agency Tax Increment Fund transferred \$150,000 to the Public Safety Bond Fund for these debt service payments. The General Fund transferred an additional \$2,000 to the Public Safety Bond Fund for bond administration fees.

The General Fund transferred a total of \$6,940,145 to several funds to provide subsidies to cover the operating deficits.

The transfer amounts by fund are as follows:

| | |
|---|--------------|
| Fire Services Operations Fund | \$ 5,061,485 |
| State Gasoline Tax Fund | 820,000 |
| CSD Zone L Library Services Fund | 287,566 |
| Public Education/Public Access Grant Fund | 433,425 |
| Storm Water Maintenance Fund | 287,456 |
| SLESF AB 3229 Grant Fund | 50,213 |

The General Fund transferred \$265,225 to the CSD Zone A Parks and Community Services Fund in accordance with the Conference and Recreation Center financing agreement.

The General Fund also transferred \$10,000 to the CSD Zone A Parks and Community Services Fund to provide support to two non-profit groups designated as "Official City Groups."

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 a transfer of \$540,000 to the City Hall Capital/Administration Fund for the Interim Library Building.

The Beverage Container Recycling Fund transferred \$13,609 to the State Gasoline Tax Fund for roadside clean-up.

CSD Zone A Parks and Community Services Fund transferred \$209,697 to the Child Care Grant Fund for excess expenditures.

CSD Zone A Parks and Community Services Fund transferred \$44,212 to the Parks and Community Services Capital Projects Fund for a maintenance project at the Senior Center.

CSD Zone B Street Lighting Fund and CSD Zone C Arterial Lighting Fund transferred \$64,883 and \$16,191 respectively to the Electric Fund for street lights.

CSD Zone E Extensive Landscaping Fund transferred \$20,500 to the CFD #1 Fund for that fund's share of parcel fees collected.

The Arterial Streets Development Impact Fee Fund transferred \$1,120,423 to the 2005 Lease Revenue Bonds Debt Service Fund for debt service for the fiscal year.

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

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

c. Interfund Transfers

During the 2006-2007 budget process and subsequently, the Arterial Streets Development Impact Fee Fund was committed to supporting several capital projects. Transfers totaling \$6,780,610 were made to the Development Impact Fee Arterial Streets Capital Projects Fund for these commitments:

| | |
|--|-----------|
| Perris Boulevard Widening from Ramona Expressway to Cactus Avenue Project | \$ 15,000 |
| Infill Projects at Various Locations | 149,000 |
| Reche Vista Realignment Project | 495,000 |
| Day Street Widening from State Route 60 to Ironwood Avenue Project | 66,000 |
| Pigeon Pass Road Widening Project | 4,831,110 |
| Perris Boulevard Widening from Ironwood Avenue to Manzanita Avenue Project | 101,000 |
| Heacock Street from Iris Avenue to Genetian Avenue Project | 151,000 |
| Kitching/Perris Valley Storm Channel Bridge Project | 72,500 |
| Graham Street Bridge from Sunnymead Boulevard to Hemlock Avenue Project | 250,000 |
| State Route 60 West Bound Ramps/Moreno Beach Drive Project | 650,000 |

During the 2006-2007 budget process the Traffic Signals Development Impact Fee Fund was committed to supporting several capital projects. Transfers totaling \$1,109,800 were made to the Development Impact Fee Traffic Signal Capital Projects Fund for these commitments:

| | |
|--|------------|
| Traffic Signals at Day Street and Dracaea Avenue | \$ 180,800 |
| Traffic Signals at Cottonwood Avenue and Elsworth Street | 140,000 |
| Traffic Signals at Kitching Street and Cactus Avenue | 58,000 |
| Traffic Signals at Lasselle Street and Cottonwood Avenue | 140,000 |
| Traffic Signals at State Route 60 and Moreno Beach Interchange | 436,000 |
| Perris Boulevard Traffic Signal Relocation | 35,000 |
| Traffic Signals at Alessandro Boulevard and Grant Street | 40,000 |
| Traffic Signals at Kitching Street and Eucalyptus Avenue | 40,000 |
| Traffic Signals at Lasselle Street and Bay Avenue | 40,000 |

The Police Facilities Development Impact Fee Fund transferred \$300,000 to the 2005 Lease Revenue Bonds Debt Service Fund for a share of the two-year debt service reserve. City Council directed the creation of this reserve.

The Parkland Facilities Development Impact Fee Fund transferred a total of \$486,028 to the Parks and Community Services Capital Projects Fund for these commitments:

| | |
|--|-----------|
| Conference Center Fencing Project | \$ 60,000 |
| Conference & Recreation Center Restroom Design Project | 45,000 |
| March Community Center Refurbishing Project | 30,000 |
| Roof Replacement at Gateway Park and Westbluff Park | 100,000 |
| Parks & Recreation Master Plan Project | 80,000 |
| Aqueduct Bike Trail and Landscaping Improvements | 82,000 |
| Community Park Soccer Field Renovation Project | 89,028 |

The Quimby In-Lieu Park Fees Fund transferred to the Parks and Community Services Capital Projects Fund \$56,000 for the Poorman's Reservoir Fencing Project and \$1,877,221 for the Community Park Soccer Field Renovation Project.

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

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

c. Interfund Transfers

The Recreation Center Development Impact Fee Fund transferred \$275,000 to the General Fund for a budgeted reimbursement to the General Fund Capital Reserve for the loan on the Conference and Recreation Center project.

The Libraries Development Impact Fee Fund transferred to the City Hall Capital/Administration Fund \$25,000 for the Main Library project.

The City Hall Development Impact Fee Fund transferred to the City Hall Capital/Administration Fund \$1,582,500 for the acquisition of the City Hall Annex 1 Building.

The Corporate Yard Development Impact Fee Fund transferred \$1,715,700 to the City Hall Capital/ Administration Fund for the Corporate Yard Facility – Phase I project.

The Animal Shelter Development Impact Fee Fund transferred \$212,000 to the General Fund for a budgeted reimbursement to the General Fund Capital Reserve for the loan on the Animal Shelter Expansion project.

The Towngate Improvement Bonds Debt Service Fund transferred \$34,500 to the Towngate Improvement Bonds Capital/Administration Fund for a budgeted commitment.

The Towngate Refunding Bonds Debt Service Fund transferred \$136,750 to the Towngate Refunding Bonds Capital/Administration Fund for a budgeted commitment.

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

The CFD# 5 Stoneridge Debt Service Fund transferred \$25,000 to the Special Districts Administration Fund for a budgeted commitment.

The CFD# 5 Stoneridge Debt Service Fund transferred \$150,000 to the Electric Fund for a budgeted commitment.

The 2007 Lease Revenue Bonds Capital/Administration Fund transferred \$155,223 to the General Fund for a budgeted commitment.

The General Liability Insurance Internal Service Fund transferred \$500,000 to the Worker's Compensation Internal Service Fund to increase worker's compensation reserves.

The City Hall Facility Internal Service Fund transferred \$838,581 to the City Hall COPs Series 97 Debt Service Fund to fund the appropriated budget.

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

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

c. Interfund Transfers

The Equipment Replacement Reserve Fund transferred a total of \$2,302,181 to several funds for the replacement of various equipments. The amounts transferred to these funds are as follows:

| | |
|---|------------|
| General Fund | \$ 335,303 |
| Library Services Fund | 562,035 |
| Public Education/Government Access Program Fund | 20,726 |
| Fire Services Operations Fund | 924,092 |
| Storm Water Maintenance Fund | 225,445 |
| City Hall Capital/Administration Fund | 100,000 |
| Technology Services Internal Service Fund | 37,852 |
| City Hall Facility Internal Service Fund | 26,648 |
| CSD Zone "A" Parks Fund | 70,080 |

The Community Redevelopment Agency Tax Increment Fund transferred \$196,855 to the EPA Grant Fund. The amount represents the required matching funds for the grant.

The Community Redevelopment Agency Tax Increment Fund transferred a total of \$2,497,694 to fund debt service obligations. The amounts transferred are as follows:

| | |
|---|--------------|
| Towngate Refunding Bonds Debt Service Fund | \$ 1,813,367 |
| 2005 Lease Revenue Bonds Debt Service Fund | 597,373 |
| Auto Mall Special Tax Bonds Debt Service Fund | 86,954 |

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.

Funding Policy

Active plan members in PERS are required to contribute 8.00% of their annual covered salary as of January 2007 and 7% from July 2006 to January 2007. 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 is 15.612% as of January 2007 and 10.49% from July 2006 to January 2007. 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.

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

Note 8: Employee Pension Plan (Continued)

Annual Pension Cost

For fiscal year 2006-2007, the City's annual pension cost was \$3,162,870. The City also contributed \$1,833,976 on behalf of the employees for the employee contribution. The required contribution for the fiscal year 2006-2007 was determined as part of the June 30, 2004 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 15-year period. 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, 2007 was 23 years.

| <u>Ended June 30,</u> | <u>Pension Cost (APC)</u> | <u>of APC Contributed</u> | <u>Pension Obligation</u> |
|-----------------------|---------------------------|---------------------------|---------------------------|
| 2005 | \$ 1,228,304 | 100% | - |
| 2006 | 2,271,059 | 100% | - |
| 2007 | 3,162,870 | 100% | - |

Required Supplementary Information – Funded Status of Plan

Latest Information Available

| Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value Of Assets | Unfunded Liability | Funded Ratio | Annual Covered Payroll | UAAL as a Percent of Payroll |
|----------------|------------------------------------|---------------------------|--------------------|--------------|------------------------|------------------------------|
| 06/30/04 | \$41,276,067 | \$36,098,898 | \$5,177,169 | 87.5% | \$17,552,133 | 29.5% |
| 06/30/05 | 52,487,232 | 41,214,897 | 11,272,335 | 78.5 % | 19,082,187 | 59.1% |
| 06/30/06 | 61,187,066 | 47,837,803 | 13,349,263 | 78.2 % | 22,018,967 | 60.6% |

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 52 retirees is \$100,364.

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

Note 10: Prior Period Adjustment

- (a) During the year ended June 30, 2007, the City discovered that a loan for \$274,647 to be forgiven in fiscal year 2007/2008 by the Community Redevelopment Agency to the Coachella Valley Housing Coalition had not been recorded. To correct this oversight, an adjustment was made to record the loan and adjust the Agency's beginning net assets.
- (b) During the year ended June 30, 2007, the City discovered that a loan for \$16,913 by the Community Redevelopment Agency to Cottonwood Apartments for phase III expenses incurred by the Agency had not been recorded. To correct this oversight, an adjustment was made to record the loan and adjust the Agency's beginning net assets.
- (c) During the year ended June 30, 2007, the City discovered that a liability for regulatory contingencies in the amount of \$438,294 had not been recorded for the Electric Fund. To correct this oversight, an adjustment was made to record the liability and adjust the fund's beginning net assets.
- (d) During the year ended June 30, 2007, the City discovered that instead of restricting cash for the public purpose programs that a liability was incorrectly recorded in the amount of \$232,279. To correct this oversight, an adjustment was made to reduce the liability and adjust the fund's beginning net assets.
- (e) During the year ended June 30, 2007, the City changed accounting methods for recognizing certain liabilities and revenues in the Housing Assistance Program Funds. This change resulted in a reduction in the liability Due to Other Governments for \$2,024,520 and an adjustment to the fund's beginning net assets.
- (f) During the year ended June 30, 2007, the City separated a portion of the NPDES CSA Special Revenue fund into a separate fund, the Storm Water Maintenance fund. This change resulted in an adjustment of beginning net assets to \$3,507 for the NPDES CSA fund and \$(49,150) for the Storm Water Maintenance fund.
- (g) During the year ended June 30, 2007, the City discovered that Construction in Progress and Accumulated Depreciation were incorrectly reported. To correct this oversight, an adjustment of \$(1,472,366) was made to beginning net capital assets and to the government-wide beginning net assets.
- (h) During the year ended June 30, 2007, the City separated the Electric Utility's portion of the 2005 Lease Revenue Bonds from the governmental funds in which they were recorded. To correct this oversight, adjustments to beginning net assets were made as follows:
 - (1) Move \$5,105,000 long-term liability from governmental activities long-term liabilities to business-type activities long-term liabilities.
 - (2) Move \$1,029,250 of cash with fiscal agent from the 2005 Lease Revenue Bond Debt Service Fund to the Electric Fund.
 - (3) Move \$2,850,810 of cash with fiscal agent from the 2005 Lease Revenue Bond Capital Projects Fund to the Electric Fund.

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 | \$ 682,395,386 | \$ 14,438,082 |
| (a & b) Adjustment to record accrual of loan receivable in prior period | 291,560 | - |
| (c) Adjustment to record liability not previously recorded | - | (438,294) |
| (d) Adjustment to remove liability reclassified as restriction of cash | - | 232,279 |
| (e) Adjustment to remove liability as a result of change in accounting policy | 2,024,520 | - |
| (f) Adjustment to split special revenue fund into two | 45,643 3,507 (49,150) | - - - |
| (g) Adjustment to remove capital assets receivable in prior period | (1,472,366) | - |
| (h) Adjustment to move liability and other assets from governmental activities to business-type activities | 1,224,940 | (1,224,940) |
| Net assets at beginning of year as restated | <u>\$ 684,464,040</u> | <u>\$ 13,007,127</u> |

Fund financial statements:

| | <u>Community Redevelopment Agency</u> | <u>Housing Assistance Programs</u> |
|--|---|--|
| <u>Governmental funds:</u> | | |
| Net assets at beginning of year, as previously reported | \$ (7,704,622) | \$ (4,775) |
| (a & b) Adjustment to record accrual of loan receivable in prior period | 291,560 | - |
| (e) Adjustment to remove liability as a result of change in accounting policy | - | 2,024,520 |
| Net assets at beginning of year, as restated | <u>\$ (7,413,062)</u> | <u>\$ 2,019,745</u> |

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

Note 10: Prior Period Adjustment (Continued)

| <u>Governmental funds:</u> | <u>NPDES CSA</u> | <u>Storm Water Maintenance</u> |
|--|---|---|
| Net assets at beginning of year, as previously reported | \$ (45,643) | \$ - |
| (f) Adjustment to record fund split | <u>\$ (3,507)</u> | <u>\$ 3,507</u> |
| Net assets at beginning of year, as restated | <u><u>\$ (49,150)</u></u> | <u><u>\$ 3,507</u></u> |
| | | |
| <u>Governmental funds:</u> | <u>2005 Lease Revenue Bond Debt Service</u> | <u>2005 Lease Revenue Bond Capital Projects</u> |
| Net assets at beginning of year, as previously reported | \$ 8,557,560 | \$ 44,982,418 |
| (h) Adjustment to move Electric Utility bond cash with fiscal agent | <u>\$ (1,029,250)</u> | <u>\$ (2,850,810)</u> |
| Net assets at beginning of year, as restated | <u><u>\$ 7,528,310</u></u> | <u><u>\$ 42,131,608</u></u> |
| | | |
| <u>Proprietary funds:</u> | <u>Electric Utility</u> | |
| Net assets at beginning of year, as previously reported | \$ 14,438,082 | |
| (c) Adjustment to record liability not previously recorded | (438,294) | |
| (d) Adjustment to reduce liability to be recorded as restricted cash | 232,279 | |
| (h) Adjustment to record 2005 Lease Revenue bonds and related cash with fiscal agent | <u>(1,224,940)</u> | |
| Net assets at beginning of year as restated | <u><u>\$ 13,007,127</u></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:

| | <u>Final Budget</u> | <u>Expenditures</u> | <u>Excess</u> |
|---|-------------------------|---------------------|---------------|
| General Fund: | | | |
| Nondepartmental | \$ (85,941) | \$ 439,413 | \$ 525,354 |
| Public Safety - Fire Inspection | 892,878 | 922,240 | 29,362 |
| Development Impact Fees Special Revenue Fund: | | | |
| Public Works | - | 891,007 | 891,007 |
| Special Districts Administration Fund: | | | |
| Public Works | 1,227,901 | 1,424,520 | 196,619 |
| Used Oil Recycling Fund | | | |
| General Government | 41,000 | 41,104 | 104 |
| Beverage Container Recycling Fund: | | | |
| Public Works | 29,472 | 30,208 | 736 |
| Stoneridge Debt Service Fund: | | | |
| Bond issuance costs | - | 326,385 | 326,385 |
| Public Safety Lease Revenue Bonds 1997 Debt Service Fund: | | | |
| Interest and fiscal charges | 234,525 | 235,900 | 1,375 |
| Auto Mall Special Tax Bonds Debt Service Fund: | | | |
| Interest and fiscal charges | 1,364,525 | 1,504,370 | 139,845 |
| OPA Sales Tax Agreements Debt Service Fund: | | | |
| Interest and fiscal charges | 400,000 | 433,650 | 33,650 |
| Towngate Improvement Bond Debt Service Fund: | | | |
| Interest and fiscal charges | 279,713 | 283,613 | 3,900 |
| Towngate Refunding Debt Service Fund | | | |
| Interest and fiscal charges | 762,450 | 796,903 | 34,453 |
| Towngate Capital/Administration Fund: | | | |
| Public Works | 171,250 | 173,802 | 2,552 |
| Warner Ranch Capital/Administration Fund: | | | |
| Public Works | 7,188 | 7,193 | 5 |

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

Note 12: Fund Deficits

The following funds contained a deficit fund balance as of June 30, 2007:

Non-Major Governmental Funds

Special Revenue Funds:

| | |
|-------------------------|----------|
| NPDES CSA | \$28,891 |
| Child Care Grant | 120,067 |
| Storm Water Maintenance | 11,079 |

Capital Projects Funds:

| | |
|-------------------------------------|-----------|
| Towngate Capital/Administration | 291,078 |
| Centerpointe Capital/Administration | 122,739 |
| Warner Ranch Capital/Development | 10,206 |
| TUMF | 2,282,876 |

Note 13: Commitments and Contingencies

Riverside County Agreements

During December 1987, the City of Moreno Valley and the Community Redevelopment Agency (Agency) entered into an agreement (the "County Agreement") with the County of Riverside which provided, in part, that the Agency make certain payments to the County. The County Agreement generally provides for the Agency to make payments to the County upon achievement by the Agency of \$7 million annually of tax increment revenue. Once the \$7 million threshold is reached, the County Agreement generally provides that the Agency will make payment to the County of an amount equal to tax increment revenues between \$7 million annually and \$12 million annually, and half of such revenues in excess of \$12 million. The County Agreement further generally provides that 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 2003-2004 the Agency's tax increment exceeded \$7 million. However, the County did not notify the Agency to such effect. In 2006-07, the Auditor Controller withheld a portion of the Agency's 2006-07 tax increment in the amount of \$1,092,287.59. The Agency disputes the authority of the County to withhold such funds and the matter, as well as other issues concerning the County Agreement, is currently the subject of litigation involving the County and the Agency.

During April 1988, the City of Moreno Valley and the Agency entered into an agreement (the "Flood Agreement") with the Riverside County Flood Control and Water Conservation District (District), which provides generally 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.

Under the Flood Agreement, the Agency is to demonstrate, as more particularly provided in the Flood Agreement, 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 may retain the balance needed from the remaining 50% of the District share.

Beginning in 2005-06, the Agency's tax increment exceeded \$12 million, with remittance not having been made of amounts to the District. The financial statements show, for 2005-2006 the amount of \$668,253 (which amount was not remitted to the District) as included under Due to Other Governments; similarly, as to 2006-07, the financial statements show the

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

Note 13: Commitments and Contingencies (Continued)

amount of \$876,655 (which amount was not remitted to the District) as included under Due to Other Governments.

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 \$1,089,375.

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

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

Note 13: Commitments and Contingencies (Continued)

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 \$1,825,000 and \$1,350,000 for the workers' compensation claims and general liability claims, respectively, for a total of \$3,175,000. Of these amounts, the current year's adjustment is a reduction of \$58,000.

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

| | General Liability | Workers' Compensation | Total |
|--|-------------------------|--------------------------|-------------------------|
| Amount of accrued claims at June 30, 2005 | 1,073,000 | 1,561,000 | 2,634,000 |
| 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 | (21,048) | (562,246) | (583,294) |
| Amount of accrued claims at June 30, 2006 | <u>\$ 1,428,000</u> | <u>\$ 1,805,000</u> | <u>\$ 3,233,000</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 | (45,511) | 776,802 | 731,291 |
| Payments on claims attributable to events of both the current fiscal year and prior fiscal years | (32,489) | (756,802) | (789,291) |
| Amount of accrued claims at June 30, 2007 | <u><u>1,350,000</u></u> | <u><u>1,825,000</u></u> | <u><u>3,175,000</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.

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

Note 13: Commitments and Contingencies (Continued)

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.

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.

Note 14: Subsequent Events

2007 Tax Allocation Bonds, Series A, in the original issue amount of \$43,495,000 were issued in November 2007 for the purpose of financing various redevelopment activities and other undertakings permitted under the Redevelopment Law, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial and term fashion through August 1, 2038 and bear interest ranging from 3.5% to 4.625%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on August 1, 2017. The bonds are payable solely from Tax Increment Revenues and other funds and amounts pledged therefor pursuant to the Indenture. This issue is fully insured in the event of nonpayment by the redevelopment agency (Agency).

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

CFD 87-1 Improvement Area No. 1 Special Tax Refunding Bonds in the original issue of \$4,075,000 were issued in November 2007 to refund prior bonds currently outstanding, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial fashion through October 1, 2023 and bear interest ranging from 3.75% to 4.875%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on April 1, 2008. The City is in 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.

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

Note 14: Subsequent Events (Continued)

Towngate CFD 87-1 2007 Special Tax Refunding Bonds in the original issue of \$10,665,000 were issued in November 2007 to refund prior bonds (1994 Series A and 1994 Series B) currently outstanding, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial fashion through December 1, 2021 and bear interest ranging from 3.50% to 5.00%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on December 1, 2017. The City is in 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.

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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.

NPDES CSA Fund

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued):

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 Community Services 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.

Storm Water Maintenance

This fund is used to ensure the safety and cleanliness of our City streets and the City's maintained storm drain system by cleaning all catch basins, connector pipes and culverts on an annual basis, and by providing emergency services, as needed.

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).

ASES Program Grant

This fund is used to account for the After School Education and Safety grant.

Box Springs Water EPA Grant

This fund is used to account for the Box Springs Water Environmental Protection Agency grant.

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.

Public Works 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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECT FUNDS (Continued):

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 Community Services 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.

Stoneridge Capital/Administration Fund

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

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 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 Improvement Area No. 1 Special Tax Bonds issued April 1, 1993.

Towngate Refunding 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 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).

Stoneridge 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 Community Facilities District # 5 special tax bonds.

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 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 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 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 Community Services 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, 2007

| | <u>Special Revenue Funds</u> | | | |
|--|-----------------------------------|-------------------------------------|----------------------|----------------------------|
| | <u>State Gasoline Tax</u> | <u>Article 3 Transportation</u> | <u>Measure A</u> | <u>Law Enforcement</u> |
| Assets: | | | | |
| Pooled cash and investments | \$ 540,460 | \$ 398,063 | \$ 11,350,632 | \$ 851,673 |
| Receivables: | | | | |
| Accounts | 28,254 | - | 48,673 | - |
| Notes and loans | - | - | - | - |
| Accrued interest | - | - | - | - |
| Prepaid costs | - | - | - | - |
| Due from other governments | 299,673 | - | 797,543 | 84,348 |
| Advances to other funds | - | - | - | - |
| Total Assets | <u>\$ 868,387</u> | <u>\$ 398,063</u> | <u>\$ 12,196,848</u> | <u>\$ 936,021</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 29,533 | \$ - | \$ 267,529 | \$ - |
| Accrued liabilities | 316,699 | 5 | 12,977 | - |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | 36,581 | 34,887 |
| Unearned revenue | - | - | - | 129,628 |
| Advances from other funds | - | - | - | - |
| Due to other governments | - | - | - | 331,207 |
| Total Liabilities | <u>346,232</u> | <u>5</u> | <u>317,087</u> | <u>495,722</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Reserved for encumbrances | 29,876 | - | 2,007,802 | - |
| Reserved for prepaid and other assets | - | - | - | - |
| Reserved for debt service | - | - | - | - |
| Reserved for long-term receivables | - | - | - | - |
| Reserved for advances to other funds | - | - | - | - |
| Reserved for future projects | - | - | - | - |
| Reserved for endowment | - | - | - | - |
| Unreserved: | | | | |
| Designated for continuing appropriations | 211,018 | 378,558 | 9,871,959 | - |
| Designated for capital improvement projects | - | - | - | - |
| Undesignated | 281,261 | 19,500 | - | 440,299 |
| Total Fund Balances | <u>522,155</u> | <u>398,058</u> | <u>11,879,761</u> | <u>440,299</u> |
| Total Liabilities and Fund Balances | <u>\$ 868,387</u> | <u>\$ 398,063</u> | <u>\$ 12,196,848</u> | <u>\$ 936,021</u> |

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> |
|--|---------------------------------------|--|---|----------------------|--|
| \$ 1,688,652 | \$ 529,190 | \$ 10,160 | \$ 1,485,307 | \$ - | \$ 452,125 |
| 82,493 | 54,498 | - | 10,692 | 48,942 | - |
| - | - | 190,000 | - | - | 2,329,462 |
| - | - | 4,486 | - | - | 108,391 |
| - | - | - | 2,500 | - | - |
| - | - | 132,647 | - | 42,519 | 33,608 |
| - | - | - | 580,657 | - | - |
| <u>\$ 1,771,145</u> | <u>\$ 583,688</u> | <u>\$ 337,293</u> | <u>\$ 2,079,156</u> | <u>\$ 91,461</u> | <u>\$ 2,923,586</u> |
| \$ 11,229 | \$ 8,595 | \$ 68,190 | \$ 14,918 | \$ 2,470 | \$ - |
| 32,310 | - | 45,199 | 51,562 | 28,829 | 5,535 |
| - | - | - | - | 89,053 | - |
| - | - | 4,486 | - | - | 139,331 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>43,539</u> | <u>8,595</u> | <u>117,875</u> | <u>66,480</u> | <u>120,352</u> | <u>144,866</u> |
| 355 | 6,097 | 146,579 | - | - | - |
| - | - | - | 2,500 | - | - |
| - | - | - | - | - | - |
| - | - | 190,000 | - | - | 2,329,462 |
| - | - | - | 580,657 | - | - |
| - | - | - | - | 88,800 | - |
| - | - | - | - | - | - |
| - | 396,225 | - | - | - | 449,258 |
| - | - | - | 1,000,000 | - | - |
| <u>1,727,251</u> | <u>172,771</u> | <u>(117,161)</u> | <u>429,519</u> | <u>(117,691)</u> | <u>-</u> |
| <u>1,727,606</u> | <u>575,093</u> | <u>219,418</u> | <u>2,012,676</u> | <u>(28,891)</u> | <u>2,778,720</u> |
| <u>\$ 1,771,145</u> | <u>\$ 583,688</u> | <u>\$ 337,293</u> | <u>\$ 2,079,156</u> | <u>\$ 91,461</u> | <u>\$ 2,923,586</u> |

(Continued)

CITY OF MORENO VALLEY

Combining Balance Sheet
Nonmajor Governmental Funds
(Continued)

| | Special Revenue Funds | | | |
|--|-----------------------|---|--------------------------|-------------------------------|
| | Child Care Grant | Parks and Community Services PAL Grant | Used Oil Recycling | Storm Water Maintenance |
| Assets: | | | | |
| Pooled cash and investments | \$ - | \$ 17,414 | \$ - | \$ - |
| Receivables: | | | | |
| Accounts | - | - | - | 161,111 |
| Notes and loans | - | - | - | - |
| Accrued interest | - | - | - | - |
| Prepaid costs | 16,439 | - | - | - |
| Due from other governments | 163,276 | - | 24,713 | - |
| Advances to other funds | - | - | - | - |
| Total Assets | \$ 179,715 | \$ 17,414 | \$ 24,713 | \$ 161,111 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 6,342 | \$ - | \$ - | \$ 9,100 |
| Accrued liabilities | 39,392 | - | 1,598 | 38,268 |
| Due to other funds | 117,400 | - | 22,957 | 124,822 |
| Deferred revenue | 136,648 | - | - | - |
| Unearned revenue | - | - | - | - |
| Advances from other funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| Total Liabilities | 299,782 | - | 24,555 | 172,190 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Reserved for encumbrances | - | - | 554 | - |
| 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 future projects | - | - | - | - |
| Reserved for endowment | - | - | - | - |
| Unreserved: | | | | |
| Designated for continuing appropriations | - | - | - | - |
| Designated for capital improvement projects | - | - | - | - |
| Undesignated | (136,506) | 17,414 | (396) | (11,079) |
| Total Fund Balances | (120,067) | 17,414 | 158 | (11,079) |
| Total Liabilities and Fund Balances | \$ 179,715 | \$ 17,414 | \$ 24,713 | \$ 161,111 |

Special Revenue Funds

| <u>Traffic Congestion Relief</u> | <u>Disaster</u> | <u>Beverage Container Recycling</u> | <u>Emergency Management Preparedness Grant</u> | <u>ASES Program Grant</u> | <u>Box Springs Water EPA Grant</u> |
|--|-------------------|---|--|-----------------------------------|--|
| \$ 1,784,206 | \$ 316,936 | \$ 121 | \$ 13,547 | \$ 4,049,282 | \$ 196,592 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 12,872 | - | - | 40,887 | - |
| - | - | - | - | - | - |
| <u>\$ 1,784,206</u> | <u>\$ 329,808</u> | <u>\$ 121</u> | <u>\$ 13,547</u> | <u>\$ 4,090,169</u> | <u>\$ 196,592</u> |
| \$ 42,916 | \$ - | \$ 121 | \$ 1,376 | \$ 169,529 | \$ - |
| 2,824 | - | - | 1,607 | 20,145 | 467 |
| - | - | - | - | - | - |
| - | - | - | - | 3,808,504 | - |
| - | - | - | - | - | - |
| - | - | - | 7,189 | - | - |
| - | - | - | - | - | - |
| <u>45,740</u> | <u>-</u> | <u>121</u> | <u>10,172</u> | <u>3,998,178</u> | <u>467</u> |
| 130,305 | - | - | - | 1,502,611 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 862,079 | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>746,082</u> | <u>329,808</u> | <u>-</u> | <u>3,375</u> | <u>(1,410,620)</u> | <u>196,125</u> |
| <u>1,738,466</u> | <u>329,808</u> | <u>-</u> | <u>3,375</u> | <u>91,991</u> | <u>196,125</u> |
| <u>\$ 1,784,206</u> | <u>\$ 329,808</u> | <u>\$ 121</u> | <u>\$ 13,547</u> | <u>\$ 4,090,169</u> | <u>\$ 196,592</u> |

(Continued)

CITY OF MORENO VALLEY

Combining Balance Sheet
Nonmajor Governmental Funds
(Continued)

| | Capital Project Funds | | | |
|--|---|-------------------------|---------------------------|------------------------------|
| | City Hall Capital/ Administration | Capital Improvements | PW Capital Projects | Traffic Signal Mitigation |
| Assets: | | | | |
| Pooled cash and investments | \$ 11,049,630 | \$ 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 | - | - | - | - |
| Total Assets | \$ 11,049,630 | \$ 215,339 | \$ 32,692 | \$ 137,578 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 470,126 | \$ - | \$ - | \$ - |
| Accrued liabilities | 1,731 | - | - | - |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Unearned revenue | - | - | - | - |
| Advances from other funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| Total Liabilities | 471,857 | - | - | - |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Reserved for encumbrances | 326,369 | - | - | - |
| 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 future projects | - | - | - | - |
| Reserved for endowment | - | - | - | - |
| Unreserved: | | | | |
| Designated for continuing appropriations | 5,837,766 | - | - | - |
| Designated for capital improvement projects | 4,413,638 | 176,852 | 32,692 | 137,578 |
| Undesignated | - | - | - | - |
| Total Fund Balances | 10,577,773 | 215,339 | 32,692 | 137,578 |
| Total Liabilities and Fund Balances | \$ 11,049,630 | \$ 215,339 | \$ 32,692 | \$ 137,578 |

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> |
|----------------------|---|---|---|--|--|
| \$ 2,519,773 | \$ 230 | \$ - | \$ - | \$ 7,099 | \$ 568,099 |
| - | - | - | - | - | - |
| 98,000 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 694 | - |
| - | - | - | - | - | - |
| <u>\$ 2,617,773</u> | <u>\$ 230</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,793</u> | <u>\$ 568,099</u> |
| \$ 6 | \$ - | \$ 1,750 | \$ - | \$ - | \$ - |
| 63 | - | - | - | - | - |
| - | - | 289,328 | 122,739 | 4,500 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 13,499 | - |
| - | - | - | - | - | - |
| <u>69</u> | <u>-</u> | <u>291,078</u> | <u>122,739</u> | <u>17,999</u> | <u>-</u> |
| 34,975 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 98,000 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,803,887 | - | - | - | - | - |
| 680,842 | 230 | - | - | - | 568,099 |
| - | - | (291,078) | (122,739) | (10,206) | - |
| <u>2,617,704</u> | <u>230</u> | <u>(291,078)</u> | <u>(122,739)</u> | <u>(10,206)</u> | <u>568,099</u> |
| <u>\$ 2,617,773</u> | <u>\$ 230</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,793</u> | <u>\$ 568,099</u> |

(Continued)

CITY OF MORENO VALLEY

Combining Balance Sheet
Nonmajor Governmental Funds
(Continued)

| | Capital Projects Funds | | | |
|---|--|-----------------------------|-----------------------------|--|
| | Parks & Community Services Capital Projects | TUMF Capital Projects | DIF Capital Projects | Stoneridge Capital/ Administration |
| Assets: | | | | |
| Pooled cash and investments | \$ 6,621,184 | \$ - | \$ 13,939,181 | \$ 4,647,008 |
| Receivables: | | | | |
| Accounts | 763,328 | 224,943 | - | - |
| Notes and loans | - | - | - | - |
| Accrued interest | - | - | - | - |
| Prepaid costs | - | - | - | - |
| Due from other governments | - | - | - | - |
| Advances to other funds | - | - | - | - |
| Total Assets | <u>\$ 7,384,512</u> | <u>\$ 224,943</u> | <u>\$ 13,939,181</u> | <u>\$ 4,647,008</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 264,727 | \$ 241,215 | \$ 287,737 | \$ - |
| Accrued liabilities | 1,255 | 6,512 | 7,113 | - |
| Due to other funds | - | 2,259,892 | - | - |
| Deferred revenue | 763,328 | - | - | - |
| Unearned revenue | - | - | - | - |
| Advances from other funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| Total Liabilities | <u>1,029,310</u> | <u>2,507,619</u> | <u>294,850</u> | <u>-</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Reserved for encumbrances | 5,264,571 | 958,045 | 1,257,202 | - |
| Reserved for prepaid and other assets | - | - | - | - |
| Reserved for debt service | - | - | - | - |
| Reserved for long-term receivables | - | - | - | - |
| Reserved for advances to other funds | - | - | - | - |
| Reserved for future projects | - | - | - | - |
| Reserved for endowment | - | - | - | - |
| Unreserved: | | | | |
| Designated for continuing appropriations | 1,090,631 | - | 4,079,059 | - |
| Designated for capital improvement projects | - | - | - | 4,647,008 |
| Undesignated | - | (3,240,721) | 8,308,070 | - |
| Total Fund Balances | <u>6,355,202</u> | <u>(2,282,676)</u> | <u>13,644,331</u> | <u>4,647,008</u> |
| Total Liabilities and Fund Balances | <u>\$ 7,384,512</u> | <u>\$ 224,943</u> | <u>\$ 13,939,181</u> | <u>\$ 4,647,008</u> |

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> | <u>Stoneridge</u> |
|---|--|-------------------------------|---|--|-------------------|
| \$ - | \$ 779,163 | \$ 4,387,648 | \$ 844,416 | \$ 657,333 | \$ 722,326 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 3,131 | 5,119 | - | 8,887 | 26,252 |
| - | - | - | - | - | - |
| - | 48,659 | - | - | 3,745 | - |
| - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 830,953</u> | <u>\$ 4,392,767</u> | <u>\$ 844,416</u> | <u>\$ 669,965</u> | <u>\$ 748,578</u> |
| \$ - | \$ - | \$ - | \$ 41,141 | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 41,141 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 830,953 | 4,392,767 | 803,275 | 669,965 | 748,578 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>830,953</u> | <u>4,392,767</u> | <u>803,275</u> | <u>669,965</u> | <u>748,578</u> |
| <u>\$ -</u> | <u>\$ 830,953</u> | <u>\$ 4,392,767</u> | <u>\$ 844,416</u> | <u>\$ 669,965</u> | <u>\$ 748,578</u> |

(Continued)

CITY OF MORENO VALLEY

Combining Balance Sheet
Nonmajor Governmental Funds
(Continued)

| | Debt Service Funds | | |
|--|---|--|-----------------------------|
| | Certificates of Participation Series 1993 | Public Safety Lease Revenue Bonds 1997 | Lease Revenue Bonds 2005 |
| Assets: | | | |
| Pooled cash and investments | \$ 430,959 | \$ 767,163 | \$ 7,188,729 |
| Receivables: | | | |
| Accounts | - | - | - |
| Notes and loans | - | - | - |
| Accrued interest | - | - | - |
| Prepaid costs | - | - | - |
| Due from other governments | - | - | - |
| Advances to other funds | - | - | - |
| Total Assets | \$ 430,959 | \$ 767,163 | \$ 7,188,729 |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ 875 | \$ 875 |
| Accrued liabilities | - | - | - |
| Due to other funds | - | - | - |
| Deferred revenue | - | - | - |
| Unearned revenue | - | - | - |
| Advances from other funds | - | - | - |
| Due to other governments | - | - | - |
| Total Liabilities | - | 875 | 875 |
| Fund Balances: | | | |
| Reserved: | | | |
| Reserved for encumbrances | - | - | - |
| Reserved for prepaid and other assets | - | - | - |
| Reserved for debt service | 430,959 | 766,288 | 7,187,854 |
| Reserved for long-term receivables | - | - | - |
| Reserved for advances to other funds | - | - | - |
| Reserved for future projects | - | - | - |
| Reserved for endowment | - | - | - |
| Unreserved: | | | |
| Designated for continuing appropriations | - | - | - |
| Designated for capital improvement projects | - | - | - |
| Undesignated | - | - | - |
| Total Fund Balances | 430,959 | 766,288 | 7,187,854 |
| Total Liabilities and Fund Balances | \$ 430,959 | \$ 767,163 | \$ 7,188,729 |

Permanent Funds

| <u>Celebration Park Endowment</u> | <u>Equestrian Trail Endowment</u> | <u>Totals</u> |
|---|---|----------------------|
| \$ 51,797 | \$ 10,740 | \$ 79,223,960 |
| - | - | 1,422,934 |
| - | - | 2,655,949 |
| - | - | 156,266 |
| - | - | 18,939 |
| - | - | 1,685,184 |
| - | - | 580,657 |
| <u>\$ 51,797</u> | <u>\$ 10,740</u> | <u>\$ 85,743,889</u> |
| \$ - | \$ - | \$ 1,940,300 |
| - | - | 614,091 |
| - | - | 3,030,691 |
| - | - | 4,923,765 |
| - | - | 129,628 |
| - | - | 13,499 |
| - | - | 338,396 |
| <u>-</u> | <u>-</u> | <u>10,990,370</u> |
| - | - | 11,665,341 |
| - | - | 18,939 |
| - | - | 15,830,639 |
| - | - | 2,655,949 |
| - | - | 580,657 |
| - | - | 88,800 |
| 51,797 | 10,740 | 62,537 |
| - | - | 24,980,440 |
| - | - | 11,656,939 |
| - | - | 7,213,278 |
| <u>51,797</u> | <u>10,740</u> | <u>74,753,519</u> |
| <u>\$ 51,797</u> | <u>\$ 10,740</u> | <u>\$ 85,743,889</u> |

CITY OF MORENO VALLEY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

| | <u>Special Revenue Funds</u> | | | |
|--|-----------------------------------|-------------------------------------|-----------------------------|----------------------------|
| | <u>State Gasoline Tax</u> | <u>Article 3 Transportation</u> | <u>Measure A</u> | <u>Law Enforcement</u> |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - |
| Other taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 3,425,041 | - | 4,800,278 | 591,324 |
| Charges for Service | 2,558 | - | - | - |
| Use of money and property | 41,916 | 12,688 | 423,345 | 13,549 |
| Miscellaneous | 55,000 | - | 4,766 | - |
| Total Revenues | <u>3,524,515</u> | <u>12,688</u> | <u>5,228,389</u> | <u>604,873</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | 680,689 |
| Community development | - | - | - | - |
| Community and cultural | - | - | - | - |
| Public works | 4,281,061 | 33,450 | 1,183,629 | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total Expenditures | <u>4,281,061</u> | <u>33,450</u> | <u>1,183,629</u> | <u>680,689</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(756,546)</u> | <u>(20,762)</u> | <u>4,044,760</u> | <u>(75,816)</u> |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | - | - | - | - |
| Transfers in | 833,609 | 100,000 | - | 180,148 |
| Transfers out | - | - | (100,000) | - |
| Total Other Financing Sources (Uses) | <u>833,609</u> | <u>100,000</u> | <u>(100,000)</u> | <u>180,148</u> |
| Net change in Fund Balances | 77,063 | 79,238 | 3,944,760 | 104,332 |
| Fund Balance, Beginning of Year, As Restated | <u>445,092</u> | <u>318,820</u> | <u>7,935,001</u> | <u>335,967</u> |
| Fund balances (deficit) at end of year | <u>\$ 522,155</u> | <u>\$ 398,058</u> | <u>\$ 11,879,761</u> | <u>\$ 440,299</u> |

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> |
|--|---------------------------------------|--|---|----------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | 17,500 | - |
| - | - | - | - | 279,635 | - |
| - | 208,438 | 1,536,972 | - | 113,341 | 1,050,817 |
| - | - | - | 818,387 | 226,577 | - |
| - | 26,497 | 6,577 | 92,433 | - | 439 |
| 311,074 | - | 994 | 5,675 | - | - |
| <u>311,074</u> | <u>234,935</u> | <u>1,544,543</u> | <u>916,495</u> | <u>637,053</u> | <u>1,051,256</u> |
| 765,224 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 1,586,574 | - | - | 292,281 |
| - | - | - | - | - | - |
| - | 112,185 | - | 1,424,520 | 616,794 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>765,224</u> | <u>112,185</u> | <u>1,586,574</u> | <u>1,424,520</u> | <u>616,794</u> | <u>292,281</u> |
| (454,150) | 122,750 | (42,031) | (508,025) | 20,259 | 758,975 |
| - | - | - | - | - | - |
| 454,151 | - | - | 25,000 | - | - |
| - | - | - | - | - | - |
| <u>454,151</u> | <u>-</u> | <u>-</u> | <u>25,000</u> | <u>-</u> | <u>-</u> |
| 1 | 122,750 | (42,031) | (483,025) | 20,259 | 758,975 |
| <u>1,727,605</u> | <u>452,343</u> | <u>261,449</u> | <u>2,495,701</u> | <u>(49,150)</u> | <u>2,019,745</u> |
| <u>\$ 1,727,606</u> | <u>\$ 575,093</u> | <u>\$ 219,418</u> | <u>\$ 2,012,676</u> | <u>\$ (28,891)</u> | <u>\$ 2,778,720</u> |

(Continued)

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

| | Special Revenue Funds | | | |
|--|-----------------------|---|--------------------------|-------------------------------|
| | Child Care Grant | Parks and Community Services PAL Grant | Used Oil Recycling | Storm Water Maintenance |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - |
| Other taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 628,264 | - | 20,616 | 347,447 |
| Charges for Service | 31,501 | - | - | - |
| Use of money and property | - | - | 443 | - |
| Miscellaneous | 643 | - | 4,097 | - |
| Total Revenues | 660,408 | - | 25,156 | 347,447 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | 41,104 | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Community and cultural | 654,740 | - | - | - |
| Public works | - | - | - | 874,934 |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total Expenditures | 654,740 | - | 41,104 | 874,934 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 5,668 | - | (15,948) | (527,487) |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | - | - | - | - |
| Transfers in | 209,697 | - | - | 512,901 |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | 209,697 | - | - | 512,901 |
| Net change in Fund Balances | 215,365 | - | (15,948) | (14,586) |
| Fund Balance, Beginning of Year As Restated | (335,432) | 17,414 | 16,106 | 3,507 |
| Fund balances (deficit) at end of year | \$ (120,067) | \$ 17,414 | \$ 158 | \$ (11,079) |

Special Revenue Funds

| Traffic Congestion Relief | Disaster | Beverage Container Recycling | Emergency Management Preparedness Grant | ASES Program Grant | Box Springs Water EPA Grant |
|--|-------------------|---|--|-----------------------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 30,412 | 44,362 | 339,739 | 807,383 | - |
| 75,168 | - | - | - | 51,104 | 4,432 |
| - | - | - | - | - | - |
| <u>75,168</u> | <u>30,412</u> | <u>44,362</u> | <u>339,739</u> | <u>858,487</u> | <u>4,432</u> |
| - | - | 30,208 | - | - | - |
| - | - | - | 271,123 | - | - |
| - | - | - | - | 766,496 | - |
| 220,756 | 37 | - | - | - | 5,162 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>220,756</u> | <u>37</u> | <u>30,208</u> | <u>271,123</u> | <u>766,496</u> | <u>5,162</u> |
| (145,588) | 30,375 | 14,154 | 68,616 | 91,991 | (730) |
| - | - | - | - | - | - |
| - | - | (13,609) | - | - | 196,855 |
| - | - | <u>(13,609)</u> | - | - | <u>196,855</u> |
| (145,588) | 30,375 | 545 | 68,616 | 91,991 | 196,125 |
| 1,884,054 | 299,433 | (545) | (65,241) | - | - |
| <u>\$ 1,738,466</u> | <u>\$ 329,808</u> | <u>\$ -</u> | <u>\$ 3,375</u> | <u>\$ 91,991</u> | <u>\$ 196,125</u> |

(Continued)

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

| | Capital Project Funds | | | |
|--|---|-------------------------|---------------------------|------------------------------|
| | City Hall Capital/ Administration | Capital Improvements | PW Capital Projects | Traffic Signal Mitigation |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - |
| Other taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for Service | - | - | - | - |
| Use of money and property | - | - | - | - |
| Miscellaneous | 1,135 | - | - | - |
| Total Revenues | 1,135 | - | - | - |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Community and cultural | - | - | - | - |
| Public works | 379,938 | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total Expenditures | 379,938 | - | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (378,803) | - | - | - |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | - | - | - | - |
| Transfers in | 5,275,200 | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | 5,275,200 | - | - | - |
| Net change in Fund Balances | 4,896,397 | - | - | - |
| Fund Balance, Beginning of Year As Restated | 5,681,376 | 215,339 | 32,692 | 137,578 |
| Fund balances (deficit) at end of year | \$ 10,577,773 | \$ 215,339 | \$ 32,692 | \$ 137,578 |

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> |
|----------------------|---|---|---|--|--|
| \$ - | \$ - | \$ - | \$ - | \$ 7,284 | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 6,143 | - | - | - | 22,498 | 50,917 |
| <u>6,143</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,498</u> | <u>50,917</u> |
| - | - | - | - | - | - |
| 1,616 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 173,802 | 59,251 | 7,193 | 153,112 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>1,616</u> | <u>-</u> | <u>173,802</u> | <u>59,251</u> | <u>7,193</u> | <u>153,112</u> |
| 4,527 | - | (173,802) | (59,251) | 22,589 | (102,195) |
| - | - | - | - | - | - |
| 1,440,000 | - | 171,250 | - | - | 148,940 |
| - | - | - | - | - | - |
| <u>1,440,000</u> | <u>-</u> | <u>171,250</u> | <u>-</u> | <u>-</u> | <u>148,940</u> |
| 1,444,527 | - | (2,552) | (59,251) | 22,589 | 46,745 |
| 1,173,177 | 230 | (288,526) | (63,488) | (32,795) | 521,354 |
| <u>\$ 2,617,704</u> | <u>\$ 230</u> | <u>\$ (291,078)</u> | <u>\$ (122,739)</u> | <u>\$ (10,206)</u> | <u>\$ 568,099</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>Parks & Community Services Capital Projects</u> | <u>TUMF Capital Projects</u> | <u>DIF Capital Projects</u> | <u>Stoneridge Capital/ Administration</u> |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - |
| Other taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | 224,568 | - | - |
| Charges for Service | - | - | - | - |
| Use of money and property | - | - | - | 618 |
| Miscellaneous | 3,248 | - | 896 | - |
| | <u>3,248</u> | <u>-</u> | <u>896</u> | <u>-</u> |
| Total Revenues | <u>3,248</u> | <u>224,568</u> | <u>896</u> | <u>618</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | - | - | - |
| Community and cultural | 1,144,815 | - | - | - |
| Public works | - | 1,283,419 | 196,133 | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>1,144,815</u> | <u>1,283,419</u> | <u>196,133</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,141,567)</u> | <u>(1,058,851)</u> | <u>(195,237)</u> | <u>618</u> |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | - | - | - | 4,646,390 |
| Transfers in | 2,463,461 | - | 7,890,410 | - |
| Transfers out | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>2,463,461</u> | <u>-</u> | <u>7,890,410</u> | <u>4,646,390</u> |
| Net change in Fund Balances | 1,321,894 | (1,058,851) | 7,695,173 | 4,647,008 |
| Fund Balance, Beginning of Year As Restated | <u>5,033,308</u> | <u>(1,223,825)</u> | <u>5,949,158</u> | <u>-</u> |
| Fund balances (deficit) at end of year | <u>\$ 6,355,202</u> | <u>\$ (2,282,676)</u> | <u>\$ 13,644,331</u> | <u>\$ 4,647,008</u> |

Debt Service Funds

| OPA Sales Tax Agreements | Towngate Improvement Bond | Towngate Refunding | City Hall COPs Series 1997 | Auto Mall Special Tax Bonds | Stoneridge |
|--------------------------------|---------------------------------|-----------------------|----------------------------------|-----------------------------------|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 433,650 | - | - | - | 1,124,995 | - |
| - | 413,600 | - | - | 1,179,479 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 30,816 | 170,875 | 9 | 74,710 | 26,353 |
| - | - | - | - | - | - |
| <u>433,650</u> | <u>444,416</u> | <u>170,875</u> | <u>9</u> | <u>2,379,184</u> | <u>26,353</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 120,000 | 1,100,000 | 525,000 | 710,000 | - |
| 433,650 | 283,613 | 796,903 | 313,581 | 1,504,370 | - |
| - | - | - | - | - | 326,385 |
| <u>433,650</u> | <u>403,613</u> | <u>1,896,903</u> | <u>838,581</u> | <u>2,214,370</u> | <u>326,385</u> |
| - | 40,803 | (1,726,028) | (838,572) | 164,814 | (300,032) |
| - | - | - | - | - | 1,223,610 |
| - | - | 1,813,367 | 838,581 | 86,954 | - |
| - | (34,500) | (136,750) | - | (148,940) | (175,000) |
| - | <u>(34,500)</u> | <u>1,676,617</u> | <u>838,581</u> | <u>(61,986)</u> | <u>1,048,610</u> |
| - | 6,303 | (49,411) | 9 | 102,828 | 748,578 |
| - | 824,650 | 4,442,178 | 803,266 | 567,137 | - |
| <u>\$ -</u> | <u>\$ 830,953</u> | <u>\$ 4,392,767</u> | <u>\$ 803,275</u> | <u>\$ 669,965</u> | <u>\$ 748,578</u> |

(Continued)

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

| | Debt Service Funds | | |
|--|---|--|-----------------------------|
| | Certificates of Participation Series 1993 | Public Safety Lease Revenue Bonds 1997 | Lease Revenue Bonds 2005 |
| Revenues: | | | |
| Taxes: | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - |
| Other taxes | - | - | - |
| Licenses and permits | - | - | - |
| Intergovernmental | - | - | - |
| Charges for Service | - | - | - |
| Use of money and property | 10 | 25,817 | 251,652 |
| Miscellaneous | - | - | - |
| Total Revenues | 10 | 25,817 | 251,652 |
| Expenditures: | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Community development | - | - | - |
| Community and cultural | - | - | - |
| Public works | - | - | - |
| Debt service: | | | |
| Principal retirement | - | 170,000 | 470,000 |
| Interest and fiscal charges | 2,000 | 235,900 | 2,139,904 |
| Bond issuance costs | - | - | - |
| Total Expenditures | 2,000 | 405,900 | 2,609,904 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,990) | (380,083) | (2,358,252) |
| Other Financing Sources (Uses): | | | |
| Issuance of debt | - | - | - |
| Transfers in | - | 404,525 | 2,017,796 |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | - | 404,525 | 2,017,796 |
| Net change in Fund Balances | (1,990) | 24,442 | (340,456) |
| Fund Balance, Beginning of Year As Restated | 432,949 | 741,846 | 7,528,310 |
| Fund balances (deficit) at end of year | \$ 430,959 | \$ 766,288 | \$ 7,187,854 |

Permanent Funds

| <u>Celebration Park Endowment</u> | <u>Equestrian Trail Endowment</u> | <u>Totals</u> |
|---|---|----------------------|
| \$ - | \$ - | \$ 7,284 |
| - | - | 1,558,645 |
| - | - | 1,610,579 |
| - | - | 279,635 |
| - | - | 14,169,002 |
| - | - | 1,079,023 |
| 2,438 | 740 | 1,332,629 |
| - | - | 467,086 |
| <u>2,438</u> | <u>740</u> | <u>20,503,883</u> |
| - | - | 836,536 |
| - | - | 953,428 |
| - | - | 1,878,855 |
| - | - | 2,566,051 |
| - | - | 11,005,376 |
| - | - | 3,095,000 |
| - | - | 5,709,921 |
| - | - | 326,385 |
| <u>-</u> | <u>-</u> | <u>26,371,552</u> |
| <u>2,438</u> | <u>740</u> | <u>(5,867,669)</u> |
| - | - | 5,870,000 |
| - | - | 25,062,845 |
| - | - | (608,799) |
| <u>-</u> | <u>-</u> | <u>30,324,046</u> |
| 2,438 | 740 | 24,456,377 |
| <u>49,359</u> | <u>10,000</u> | <u>50,297,142</u> |
| <u>\$ 51,797</u> | <u>\$ 10,740</u> | <u>\$ 74,753,519</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
STATE GASOLINE TAX SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 3,031,443 | \$ 3,425,041 | \$ 393,598 |
| Charges for services | - | 2,558 | 2,558 |
| Use of money and property | 21,218 | 41,916 | 20,698 |
| Miscellaneous | - | 55,000 | 55,000 |
| Total Revenues | <u>3,052,661</u> | <u>3,524,515</u> | <u>471,854</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>4,968,420</u> | <u>4,281,061</u> | <u>687,359</u> |
| Total Expenditures | <u>4,968,420</u> | <u>4,281,061</u> | <u>687,359</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,915,759)</u> | <u>(756,546)</u> | <u>1,159,213</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | <u>1,424,196</u> | <u>833,609</u> | <u>(590,587)</u> |
| Total Other Financing Sources (Uses) | <u>1,424,196</u> | <u>833,609</u> | <u>(590,587)</u> |
| Net Change in Fund Balances | (491,563) | 77,063 | 568,626 |
| Fund Balances, Beginning of Year | <u>445,092</u> | <u>445,092</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ (46,471)</u> | <u>\$ 522,155</u> | <u>\$ 568,626</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 ARTICLE 3 TRANSPORTATION SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 85,000 | \$ - | \$ (85,000) |
| Use of money and property | - | 12,688 | 12,688 |
| Total Revenues | <u>85,000</u> | <u>12,688</u> | <u>(72,312)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 412,008 | 33,450 | 378,558 |
| Total Expenditures | <u>412,008</u> | <u>33,450</u> | <u>378,558</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(327,008)</u> | <u>(20,762)</u> | <u>306,246</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 100,000 | 100,000 | - |
| Total Other Financing Sources (Uses) | <u>100,000</u> | <u>100,000</u> | <u>-</u> |
| Net Change in Fund Balances | (227,008) | 79,238 | 306,246 |
| Fund Balances, Beginning of Year | 318,820 | 318,820 | - |
| Fund Balances, End of Year | <u>\$ 91,812</u> | <u>\$ 398,058</u> | <u>\$ 306,246</u> |

CITY OF MORENO VALLEY

**BUDGETARY COMPARISON SCHEDULE
MEASURE A SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007**

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|------------------------------|-----------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 10,749,874 | \$ 4,800,278 | \$ (5,949,596) |
| Use of money and property | 120,000 | 423,345 | 303,345 |
| Miscellaneous | <u>2,000</u> | <u>4,766</u> | <u>2,766</u> |
| Total Revenues | <u>10,871,874</u> | <u>5,228,389</u> | <u>(5,643,485)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>21,462,030</u> | <u>1,183,629</u> | <u>20,278,401</u> |
| Total Expenditures | <u>21,462,030</u> | <u>1,183,629</u> | <u>20,278,401</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(10,590,156)</u> | <u>4,044,760</u> | <u>14,634,916</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | <u>(100,000)</u> | <u>(100,000)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(100,000)</u> | <u>(100,000)</u> | <u>-</u> |
| Net Change in Fund Balances | (10,690,156) | 3,944,760 | 14,634,916 |
| Fund Balances, Beginning of Year | <u>7,935,001</u> | <u>7,935,001</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ (2,755,155)</u> | <u>\$ 11,879,761</u> | <u>\$ 14,634,916</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 LAW ENFORCEMENT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 493,546 | \$ 591,324 | \$ 97,778 |
| Use of money and property | 5,000 | 13,549 | 8,549 |
| Total Revenues | <u>498,546</u> | <u>604,873</u> | <u>106,327</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 71,000 | - | 71,000 |
| Public safety | 1,158,107 | 680,689 | 477,418 |
| Total Expenditures | <u>1,229,107</u> | <u>680,689</u> | <u>548,418</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(730,561)</u> | <u>(75,816)</u> | <u>654,745</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 310,491 | 180,148 | (130,343) |
| Total Other Financing Sources (Uses) | <u>310,491</u> | <u>180,148</u> | <u>(130,343)</u> |
| Net Change in Fund Balances | (420,070) | 104,332 | 524,402 |
| Fund Balances, Beginning of Year | 335,967 | 335,967 | - |
| Fund Balances, End of Year | <u>\$ (84,103)</u> | <u>\$ 440,299</u> | <u>\$ 524,402</u> |

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON SCHEDULE
 PUBLIC EDUCATION/GOVERNMENT ACCESS PROGRAM SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Miscellaneous | \$ 154,500 | \$ 311,074 | \$ 156,574 |
| Total Revenues | <u>154,500</u> | <u>311,074</u> | <u>156,574</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 795,796 | 765,224 | 30,572 |
| Total Expenditures | <u>795,796</u> | <u>765,224</u> | <u>30,572</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(641,296)</u> | <u>(454,150)</u> | <u>187,146</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 641,124 | 454,151 | (186,973) |
| Total Other Financing Sources (Uses) | <u>641,124</u> | <u>454,151</u> | <u>(186,973)</u> |
| Net Change in Fund Balances | (172) | 1 | 173 |
| Fund Balances, Beginning of Year | 1,727,605 | 1,727,605 | - |
| Fund Balances, End of Year | <u>\$ 1,727,433</u> | <u>\$ 1,727,606</u> | <u>\$ 173</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 AIR QUALITY MANAGEMENT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 160,000 | \$ 208,438 | \$ 48,438 |
| Use of money and property | <u>20,000</u> | <u>26,497</u> | <u>6,497</u> |
| Total Revenues | <u>180,000</u> | <u>234,935</u> | <u>54,935</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>651,523</u> | <u>112,185</u> | <u>539,338</u> |
| Total Expenditures | <u>651,523</u> | <u>112,185</u> | <u>539,338</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(471,523)</u> | <u>122,750</u> | <u>594,273</u> |
| Net Change in Fund Balances | <u>(471,523)</u> | <u>122,750</u> | <u>594,273</u> |
| Fund Balances, Beginning of Year | <u>452,343</u> | <u>452,343</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ (19,180)</u> | <u>\$ 575,093</u> | <u>\$ 594,273</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 2,934,992 | \$ 1,536,972 | \$ (1,398,020) |
| Use of money and property | - | 6,577 | 6,577 |
| Miscellaneous | - | 994 | 994 |
| Total Revenues | 2,934,992 | 1,544,543 | (1,390,449) |
| Expenditures: | | | |
| Current: | | | |
| Community development | 3,187,524 | 1,586,574 | 1,600,950 |
| Total Expenditures | 3,187,524 | 1,586,574 | 1,600,950 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (252,532) | (42,031) | 210,501 |
| Net Change in Fund Balances | (252,532) | (42,031) | 210,501 |
| Fund Balances, Beginning of Year | 261,449 | 261,449 | - |
| Fund Balances, End of Year | \$ 8,917 | \$ 219,418 | \$ 210,501 |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 SPECIAL DISTRICTS ADMINISTRATION SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|----------------------------|---|
| Revenues: | | | |
| Charges for services | \$ 731,635 | \$ 818,387 | \$ 86,752 |
| Use of money and property | 35,000 | 92,433 | 57,433 |
| Miscellaneous | 40,000 | 5,675 | (34,325) |
| Total Revenues | <u>806,635</u> | <u>916,495</u> | <u>109,860</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 1,227,901 | 1,424,520 | (196,619) |
| Total Expenditures | <u>1,227,901</u> | <u>1,424,520</u> | <u>(196,619)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(421,266)</u> | <u>(508,025)</u> | <u>(86,759)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 25,000 | 25,000 | - |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | <u>25,000</u> | <u>25,000</u> | <u>-</u> |
| Net Change in Fund Balances | (396,266) | (483,025) | (86,759) |
| Fund Balances, Beginning of Year | <u>2,495,701</u> | <u>2,495,701</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 2,099,435</u> | <u>\$ 2,012,676</u> | <u>\$ (86,759)</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
NPDES CSA SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Other taxes | \$ - | \$ 17,500 | \$ 17,500 |
| Licenses and permits | 405,596 | 279,635 | (125,961) |
| Intergovernmental | 107,422 | 113,341 | 5,919 |
| Charges for services | 214,920 | 226,577 | 11,657 |
| Total Revenues | 727,938 | 637,053 | (90,885) |
| Expenditures: | | | |
| Current: | | | |
| Public works | 823,016 | 616,794 | 206,222 |
| Total Expenditures | 823,016 | 616,794 | 206,222 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (95,078) | 20,259 | 115,337 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 208,443 | - | (208,443) |
| Total Other Financing Sources (Uses) | 208,443 | - | (208,443) |
| Net Change in Fund Balances | 113,365 | 20,259 | (93,106) |
| Fund Balances, Beginning of Year, as Restated | (49,150) | (49,150) | - |
| Fund Balances, End of Year | \$ 64,215 | \$ (28,891) | \$ (93,106) |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 HOUSING ASSISTANCE PROGRAM SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 882,344 | \$ 1,050,817 | \$ 168,473 |
| Use of money and property | - | 439 | 439 |
| Total Revenues | <u>882,344</u> | <u>1,051,256</u> | <u>168,912</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | 1,867,871 | 292,281 | 1,575,590 |
| Total Expenditures | <u>1,867,871</u> | <u>292,281</u> | <u>1,575,590</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(985,527)</u> | <u>758,975</u> | <u>1,744,502</u> |
| Net Change in Fund Balances | (985,527) | 758,975 | 1,744,502 |
| Fund Balances, Beginning of Year, as Restated | <u>2,019,745</u> | <u>2,019,745</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 1,034,218</u> | <u>\$ 2,778,720</u> | <u>\$ 1,744,502</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 CHILD CARE GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 661,410 | \$ 628,264 | \$ (33,146) |
| Charges for services | 28,000 | 31,501 | 3,501 |
| Miscellaneous | - | 643 | 643 |
| Total Revenues | 689,410 | 660,408 | (29,002) |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | 809,068 | 654,740 | 154,328 |
| Total Expenditures | 809,068 | 654,740 | 154,328 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (119,658) | 5,668 | 125,326 |
| Other Financing Sources (Uses): | | | |
| Transfers in | - | 209,697 | 209,697 |
| Total Other Financing Sources (Uses) | - | 209,697 | 209,697 |
| Net Change in Fund Balances | (119,658) | 215,365 | 335,023 |
| Fund Balances, Beginning of Year | (335,432) | (335,432) | - |
| Fund Balances, End of Year | \$ (455,090) | \$ (120,067) | \$ 335,023 |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
PARKS & COMMUNITY SERVICES PAL GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

| | <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 | \$ - |
| Fund Balances, End of Year | <u>\$ 17,414</u> | <u>\$ 17,414</u> | <u>\$ -</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
USED OIL RECYCLING SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 40,000 | \$ 20,616 | \$ (19,384) |
| Use of money and property | - | 443 | 443 |
| Miscellaneous | - | 4,097 | 4,097 |
| Total Revenues | 40,000 | 25,156 | (14,844) |
| Expenditures: | | | |
| Current: | | | |
| General government | 41,000 | 41,104 | (104) |
| Total Expenditures | 41,000 | 41,104 | (104) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,000) | (15,948) | (14,948) |
| Net Change in Fund Balances | (1,000) | (15,948) | (14,948) |
| Fund Balances, Beginning of Year | 16,106 | 16,106 | - |
| Fund Balances, End of Year | \$ 15,106 | \$ 158 | \$ (14,948) |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 STORM WATER MAINTENANCE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 359,630 | \$ 347,447 | \$ (12,183) |
| Total Revenues | <u>359,630</u> | <u>347,447</u> | <u>(12,183)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 902,513 | 874,934 | 27,579 |
| Total Expenditures | <u>902,513</u> | <u>874,934</u> | <u>27,579</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(542,883)</u> | <u>(527,487)</u> | <u>15,396</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 512,901 | 512,901 | - |
| Total Other Financing Sources (Uses) | <u>512,901</u> | <u>512,901</u> | <u>-</u> |
| Net Change in Fund Balances | (29,982) | (14,586) | 15,396 |
| Fund Balances, Beginning of Year, as Restated | 3,507 | 3,507 | - |
| Fund Balances, End of Year | <u>\$ (26,475)</u> | <u>\$ (11,079)</u> | <u>\$ 15,396</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC CONGESTION RELIEF SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|----------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 600,000 | \$ - | \$ (600,000) |
| Use of money and property | <u>20,000</u> | <u>75,168</u> | <u>55,168</u> |
| Total Revenues | <u>620,000</u> | <u>75,168</u> | <u>(544,832)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>1,211,000</u> | <u>220,756</u> | <u>990,244</u> |
| Total Expenditures | <u>1,211,000</u> | <u>220,756</u> | <u>990,244</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(591,000)</u> | <u>(145,588)</u> | <u>445,412</u> |
| Net Change in Fund Balances | (591,000) | (145,588) | 445,412 |
| Fund Balances, Beginning of Year | <u>1,884,054</u> | <u>1,884,054</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 1,293,054</u> | <u>\$ 1,738,466</u> | <u>\$ 445,412</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 DISASTER SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | - | \$ 30,412 | 30,412 |
| Total Revenues | <u>-</u> | <u>30,412</u> | <u>30,412</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 26,580 | 37 | 26,543 |
| Total Expenditures | <u>26,580</u> | <u>37</u> | <u>26,543</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(26,580)</u> | <u>30,375</u> | <u>56,955</u> |
| Net Change in Fund Balances | (26,580) | 30,375 | 56,955 |
| Fund Balances, Beginning of Year | 299,433 | 299,433 | - |
| Fund Balances, End of Year | <u>\$ 272,853</u> | <u>\$ 329,808</u> | <u>\$ 56,955</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 BEVERAGE CONTAINER RECYCLING SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------|-------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 45,000 | \$ 44,362 | \$ (638) |
| Use of money and property | 2,100 | - | (2,100) |
| Total Revenues | 47,100 | 44,362 | (2,738) |
| Expenditures: | | | |
| Current: | | | |
| General government | 29,472 | 30,208 | (736) |
| Total Expenditures | 29,472 | 30,208 | (736) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 17,628 | 14,154 | (3,474) |
| Other Financing Sources (Uses): | | | |
| Transfers out | (13,609) | (13,609) | - |
| Total Other Financing Sources (Uses) | (13,609) | (13,609) | - |
| Net Change in Fund Balances | 4,019 | 545 | (3,474) |
| Fund Balances, Beginning of Year | (545) | (545) | - |
| Fund Balances, End of Year | \$ 3,474 | \$ - | \$ (3,474) |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 EMERGENCY MANAGEMENT PREPAREDNESS GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 238,004 | \$ 339,739 | \$ 101,735 |
| Total Revenues | <u>238,004</u> | <u>339,739</u> | <u>101,735</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 341,157 | 271,123 | 70,034 |
| Total Expenditures | <u>341,157</u> | <u>271,123</u> | <u>70,034</u> |
| Net Change in Fund Balances | (103,153) | 68,616 | 171,769 |
| Fund Balances, Beginning of Year | (65,241) | (65,241) | - |
| Fund Balances, End of Year | <u>\$ (168,394)</u> | <u>\$ 3,375</u> | <u>\$ 171,769</u> |

CITY OF MORENO VALLEY

**BUDGETARY COMPARISON SCHEDULE
ASES PROGRAM GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007**

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 5,062,500 | \$ 807,383 | \$ (4,255,117) |
| Use of money and property | <u>-</u> | <u>51,104</u> | <u>51,104</u> |
| Total Revenues | <u>5,062,500</u> | <u>858,487</u> | <u>(4,204,013)</u> |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | <u>5,062,500</u> | <u>766,496</u> | <u>4,296,004</u> |
| Total Expenditures | <u>5,062,500</u> | <u>766,496</u> | <u>4,296,004</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>91,991</u> | <u>91,991</u> |
| Net Change in Fund Balances | <u>-</u> | <u>91,991</u> | <u>91,991</u> |
| Fund Balances, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ 91,991</u> | <u>\$ 91,991</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 BOX SPRINGS WATER EPA GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 240,600 | \$ - | \$ (240,600) |
| Use of money and property | - | 4,432 | 4,432 |
| Total Revenues | <u>240,600</u> | <u>4,432</u> | <u>(236,168)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 437,454 | 5,162 | 432,292 |
| Total Expenditures | <u>437,454</u> | <u>5,162</u> | <u>432,292</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (196,854) | (730) | 196,124 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 196,855 | 196,855 | - |
| Total Other Financing Sources (Uses) | <u>196,855</u> | <u>196,855</u> | <u>-</u> |
| Net Change in Fund Balances | 1 | 196,125 | 196,124 |
| Fund Balances, Beginning of Year | - | - | - |
| Fund Balances, End of Year | <u>\$ 1</u> | <u>\$ 196,125</u> | <u>\$ 196,124</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 CITY HALL CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------------|----------------------|---|
| Revenues: | | | |
| Miscellaneous | \$ - | \$ 1,135 | \$ 1,135 |
| Total Revenues | - | 1,135 | 1,135 |
| Expenditures: | | | |
| Current: | | | |
| Public works | 10,590,792 | 379,938 | 10,210,854 |
| Total Expenditures | 10,590,792 | 379,938 | 10,210,854 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (10,590,792) | (378,803) | 10,211,989 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 1,917,642 | 5,275,200 | 3,357,558 |
| Total Other Financing Sources (Uses) | 1,917,642 | 5,275,200 | 3,357,558 |
| Net Change in Fund Balances | (8,673,150) | 4,896,397 | 13,569,547 |
| Fund Balances, Beginning of Year | 5,681,376 | 5,681,376 | - |
| Fund Balances, End of Year | \$ (2,991,774) | \$ 10,577,773 | \$ 13,569,547 |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|-------------------------|---------------------------|---|
| Fund Balances, Beginning of Year | \$ 215,339 | \$ 215,339 | \$ - |
| Fund Balances, End of Year | <u>\$ 215,339</u> | <u>\$ 215,339</u> | <u>\$ -</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
PW CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------------|-------------------------|---------------------------|---|
| Fund Balances, Beginning of Year | \$ 32,692 | \$ 32,692 | \$ - |
| Fund Balances, End of Year | <u>\$ 32,692</u> | <u>\$ 32,692</u> | <u>\$ -</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
TRAFFIC SIGNAL MITIGATION CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007

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

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
FIRE SERVICES CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Miscellaneous | \$ - | \$ 6,143 | \$ 6,143 |
| Total Revenues | <u>-</u> | <u>6,143</u> | <u>6,143</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 1,907,435 | 1,616 | 1,905,819 |
| Total Expenditures | <u>1,907,435</u> | <u>1,616</u> | <u>1,905,819</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,907,435)</u> | <u>4,527</u> | <u>1,911,962</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | - | 1,440,000 | 1,440,000 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>1,440,000</u> | <u>1,440,000</u> |
| Net Change in Fund Balances | (1,907,435) | 1,444,527 | 3,351,962 |
| Fund Balances, Beginning of Year | 1,173,177 | 1,173,177 | - |
| Fund Balances, End of Year | <u>\$ (734,258)</u> | <u>\$ 2,617,704</u> | <u>\$ 3,351,962</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
PARK ACQUISITION AND DEVELOPMENT CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------------|-------------------------|---------------------------|---|
| Fund Balances, Beginning of Year | \$ 230 | \$ 230 | \$ - |
| Fund Balances, End of Year | <u>\$ 230</u> | <u>\$ 230</u> | <u>\$ -</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 TOWNGATE CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Use of money and property | \$ 500 | \$ - | \$ (500) |
| Total Revenues | <u>500</u> | <u>-</u> | <u>(500)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 171,250 | 173,802 | (2,552) |
| Total Expenditures | <u>171,250</u> | <u>173,802</u> | <u>(2,552)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(170,750)</u> | <u>(173,802)</u> | <u>(3,052)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 171,250 | 171,250 | - |
| Total Other Financing Sources (Uses) | <u>171,250</u> | <u>171,250</u> | <u>-</u> |
| Net Change in Fund Balances | 500 | (2,552) | (3,052) |
| Fund Balances, Beginning of Year | <u>(288,526)</u> | <u>(288,526)</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ (288,026)</u> | <u>\$ (291,078)</u> | <u>\$ (3,052)</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 CENTERPOINTE CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|-------------------------|---------------------------|---|
| Expenditures: | | | |
| Current: | | | |
| Public works | \$ 59,500 | \$ 59,251 | \$ 249 |
| Total Expenditures | <u>59,500</u> | <u>59,251</u> | <u>249</u> |
| Net Change in Fund Balances | (59,500) | (59,251) | 249 |
| Fund Balances, Beginning of Year | <u>(63,488)</u> | <u>(63,488)</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ (122,988)</u> | <u>\$ (122,739)</u> | <u>\$ 249</u> |

CITY OF MORENO VALLEY

**BUDGETARY COMPARISON SCHEDULE
WARNER RANCH CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007**

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Property taxes | \$ 8,300 | \$ 7,284 | \$ (1,016) |
| Miscellaneous | - | 22,498 | 22,498 |
| Total Revenues | 8,300 | 29,782 | 21,482 |
| Expenditures: | | | |
| Current: | | | |
| Public works | 7,188 | 7,193 | (5) |
| Total Expenditures | 7,188 | 7,193 | (5) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,112 | 22,589 | 21,477 |
| Net Change in Fund Balances | 1,112 | 22,589 | 21,477 |
| Fund Balances, Beginning of Year | (32,795) | (32,795) | - |
| Fund Balances, End of Year | \$ (31,683) | \$ (10,206) | \$ 21,477 |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 AUTO MALL CAPITAL/ADMINISTRATION CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Miscellaneous | \$ 100,000 | \$ 50,917 | \$ (49,083) |
| Total Revenues | <u>100,000</u> | <u>50,917</u> | <u>(49,083)</u> |
| Expenditures: | | | |
| Public works | 153,940 | 153,112 | 828 |
| Total Expenditures | <u>153,940</u> | <u>153,112</u> | <u>828</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(53,940)</u> | <u>(102,195)</u> | <u>(48,255)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 148,940 | 148,940 | - |
| Total Other Financing Sources (Uses) | <u>148,940</u> | <u>148,940</u> | <u>-</u> |
| Net Change in Fund Balances | 95,000 | 46,745 | (48,255) |
| Fund Balances, Beginning of Year | 521,354 | 521,354 | - |
| Fund Balances, End of Year | <u>\$ 616,354</u> | <u>\$ 568,099</u> | <u>\$ (48,255)</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 PARKS & COMMUNITY SERVICES CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Miscellaneous | \$ - | \$ 3,248 | \$ 3,248 |
| Total Revenues | <u>-</u> | <u>3,248</u> | <u>3,248</u> |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | 8,323,946 | 1,144,815 | 7,179,131 |
| Total Expenditures | <u>8,323,946</u> | <u>1,144,815</u> | <u>7,179,131</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(8,323,946)</u> | <u>(1,141,567)</u> | <u>7,182,379</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 2,104,249 | 2,463,461 | 359,212 |
| Total Other Financing Sources (Uses) | <u>2,104,249</u> | <u>2,463,461</u> | <u>359,212</u> |
| Net Change in Fund Balances | (6,219,697) | 1,321,894 | 7,541,591 |
| Fund Balances, Beginning of Year | 5,033,308 | 5,033,308 | - |
| Fund Balances, End of Year | <u>\$ (1,186,389)</u> | <u>\$ 6,355,202</u> | <u>\$ 7,541,591</u> |

CITY OF MORENO VALLEY

BUDGETARY COMPARISON SCHEDULE
 TUMF CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------------------|---------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ - | \$ 224,568 | \$ 224,568 |
| Total Revenues | <u>-</u> | <u>224,568</u> | <u>224,568</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 10,262,864 | 1,283,419 | 8,979,445 |
| Total Expenditures | <u>10,262,864</u> | <u>1,283,419</u> | <u>8,979,445</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(10,262,864)</u> | <u>(1,058,851)</u> | <u>9,204,013</u> |
| Net Change in Fund Balances | (10,262,864) | (1,058,851) | 9,204,013 |
| Fund Balances, Beginning of Year | <u>(1,223,825)</u> | <u>(1,223,825)</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ (11,486,689)</u> | <u>\$ (2,282,676)</u> | <u>\$ 9,204,013</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
DIF CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Miscellaneous | \$ 6,000 | \$ 896 | \$ (5,104) |
| Total Revenues | <u>6,000</u> | <u>896</u> | <u>(5,104)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>10,518,166</u> | <u>196,133</u> | <u>10,322,033</u> |
| Total Expenditures | <u>10,518,166</u> | <u>196,133</u> | <u>10,322,033</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(10,512,166)</u> | <u>(195,237)</u> | <u>10,316,929</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | <u>650,000</u> | <u>7,890,410</u> | <u>7,240,410</u> |
| Total Other Financing Sources (Uses) | <u>650,000</u> | <u>7,890,410</u> | <u>7,240,410</u> |
| Net Change in Fund Balances | (9,862,166) | 7,695,173 | 17,557,339 |
| Fund Balances, Beginning of Year | <u>5,949,158</u> | <u>5,949,158</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ (3,913,008)</u> | <u>\$ 13,644,331</u> | <u>\$ 17,557,339</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
STONERIDGE CAPITAL ADMINISTRATION CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Use of money and property | \$ - | \$ 618 | \$ 618 |
| Total Revenues | <u>-</u> | <u>618</u> | <u>618</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 8,795,000 | - | 8,795,000 |
| Total Expenditures | <u>8,795,000</u> | <u>-</u> | <u>8,795,000</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(8,795,000)</u> | <u>618</u> | <u>8,795,618</u> |
| Other Financing Sources (Uses): | | | |
| Issuance of debt | - | 4,646,390 | 4,646,390 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>4,646,390</u> | <u>4,646,390</u> |
| Net Change in Fund Balances | (8,795,000) | 4,647,008 | 13,442,008 |
| Fund Balances, Beginning of Year | - | - | - |
| Fund Balances, End of Year | <u>\$ (8,795,000)</u> | <u>\$ 4,647,008</u> | <u>\$ 13,442,008</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
LEASE REVENUE BONDS 2005 CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Use of money and property | \$ 700,000 | \$ 1,627,597 | \$ 927,597 |
| Total Revenues | <u>700,000</u> | <u>1,627,597</u> | <u>927,597</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>43,631,459</u> | <u>12,637,147</u> | <u>30,994,312</u> |
| Total Expenditures | <u>43,631,459</u> | <u>12,637,147</u> | <u>30,994,312</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(42,931,459)</u> | <u>(11,009,550)</u> | <u>31,921,909</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (42,931,459) | (11,009,550) | 31,921,909 |
| Fund Balances, Beginning of Year, as Restated | <u>42,131,608</u> | <u>42,131,608</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ (799,851)</u> | <u>\$ 31,122,058</u> | <u>\$ 31,921,909</u> |

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON SCHEDULE
 OPA SALES TAX AGREEMENTS DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|-------------------------|---------------------------|---|
| Revenues: | | | |
| Sales taxes | \$ 400,000 | \$ 433,650 | \$ 33,650 |
| Total Revenues | <u>400,000</u> | <u>433,650</u> | <u>33,650</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Interest and fiscal charges | 400,000 | 433,650 | (33,650) |
| Total Expenditures | <u>400,000</u> | <u>433,650</u> | <u>(33,650)</u> |
| Net Change in Fund Balances | - | - | - |
| Fund Balances, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
TOWNGATE IMPROVEMENT BOND DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|--------------------------|---------------------------|---|
| Revenues: | | | |
| Other taxes | \$ 439,213 | \$ 413,600 | \$ (25,613) |
| Use of money and property | <u>7,000</u> | <u>30,816</u> | <u>23,816</u> |
| Total Revenues | <u>446,213</u> | <u>444,416</u> | <u>(1,797)</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | 125,000 | 120,000 | 5,000 |
| Interest and fiscal charges | <u>279,713</u> | <u>283,613</u> | <u>(3,900)</u> |
| Total Expenditures | <u>404,713</u> | <u>403,613</u> | <u>1,100</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>41,500</u> | <u>40,803</u> | <u>(697)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | <u>(34,500)</u> | <u>(34,500)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(34,500)</u> | <u>(34,500)</u> | <u>-</u> |
| Net Change in Fund Balances | 7,000 | 6,303 | (697) |
| Fund Balances, Beginning of Year | <u>824,650</u> | <u>824,650</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 831,650</u> | <u>\$ 830,953</u> | <u>\$ (697)</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
TOWNGATE REFUNDING DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Use of money and property | \$ 120,000 | \$ 170,875 | \$ 50,875 |
| Total Revenues | <u>120,000</u> | <u>170,875</u> | <u>50,875</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | 1,170,000 | 1,100,000 | 70,000 |
| Interest and fiscal charges | <u>762,450</u> | <u>796,903</u> | <u>(34,453)</u> |
| Total Expenditures | <u>1,932,450</u> | <u>1,896,903</u> | <u>35,547</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,812,450)</u> | <u>(1,726,028)</u> | <u>86,422</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 2,072,445 | 1,813,367 | (259,078) |
| Transfers out | <u>(136,750)</u> | <u>(136,750)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>1,935,695</u> | <u>1,676,617</u> | <u>(259,078)</u> |
| Net Change in Fund Balances | 123,245 | (49,411) | (172,656) |
| Fund Balances, Beginning of Year | <u>4,442,178</u> | <u>4,442,178</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 4,565,423</u> | <u>\$ 4,392,767</u> | <u>\$ (172,656)</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
CITY HALL COPS SERIES 1997 DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Use of money and property | \$ - | \$ 9 | \$ 9 |
| Total Revenues | <u>-</u> | <u>9</u> | <u>9</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | 525,000 | 525,000 | - |
| Interest and fiscal charges | 400,962 | 313,581 | 87,381 |
| Total Expenditures | <u>925,962</u> | <u>838,581</u> | <u>87,381</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(925,962)</u> | <u>(838,572)</u> | <u>87,390</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 925,962 | 838,581 | (87,381) |
| Total Other Financing Sources (Uses) | <u>925,962</u> | <u>838,581</u> | <u>(87,381)</u> |
| Net Change in Fund Balances | - | 9 | 9 |
| Fund Balances, Beginning of Year | 803,266 | 803,266 | - |
| Fund Balances, End of Year | <u>\$ 803,266</u> | <u>\$ 803,275</u> | <u>\$ 9</u> |

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON SCHEDULE
 AUTO MALL SPECIAL TAX BONDS DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|--------------------------|---------------------------|---|
| Revenues: | | | |
| Sales taxes | \$ 1,200,000 | \$ 1,124,995 | \$ (75,005) |
| Other taxes | 1,358,465 | 1,179,479 | (178,986) |
| Use of money and property | <u>30,000</u> | <u>74,710</u> | <u>44,710</u> |
| Total Revenues | <u>2,588,465</u> | <u>2,379,184</u> | <u>(209,281)</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | 785,000 | 710,000 | 75,000 |
| Interest and fiscal charges | <u>1,364,525</u> | <u>1,504,370</u> | <u>(139,845)</u> |
| Total Expenditures | <u>2,149,525</u> | <u>2,214,370</u> | <u>(64,845)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>438,940</u> | <u>164,814</u> | <u>(274,126)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 85,972 | 86,954 | 982 |
| Transfers out | <u>(148,940)</u> | <u>(148,940)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(62,968)</u> | <u>(61,986)</u> | <u>982</u> |
| Net Change in Fund Balances | 375,972 | 102,828 | (273,144) |
| Fund Balances, Beginning of Year | <u>567,137</u> | <u>567,137</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 943,109</u> | <u>\$ 669,965</u> | <u>\$ (273,144)</u> |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
STONERIDGE DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Use of money and property | \$ - | \$ 26,353 | \$ 26,353 |
| Total Revenues | - | 26,353 | 26,353 |
| Expenditures: | | | |
| Debt service: | | | |
| Interest and fiscal charges | 530,000 | - | 530,000 |
| Bond issuance costs | - | 326,385 | (326,385) |
| Total Expenditures | 530,000 | 326,385 | 203,615 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (530,000) | (300,032) | 229,968 |
| Other Financing Sources (Uses): | | | |
| Issuance of debt | 9,500,000 | 1,223,610 | (8,276,390) |
| Transfers out | (175,000) | (175,000) | - |
| Total Other Financing Sources (Uses) | 9,325,000 | 1,048,610 | (8,276,390) |
| Net Change in Fund Balances | 8,795,000 | 748,578 | (8,046,422) |
| Fund Balances, Beginning of Year | - | - | - |
| Fund Balances, End of Year | \$ 8,795,000 | \$ 748,578 | \$ (8,046,422) |

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON SCHEDULE
 CERTIFICATES OF PARTICIPATION SERIES 1993 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---|
| Revenues: | | | |
| Use of money and property | \$ - | \$ 10 | \$ 10 |
| Total Revenues | - | 10 | 10 |
| Expenditures: | | | |
| Debt service: | | | |
| Interest and fiscal charges | 3,500 | 2,000 | 1,500 |
| Total Expenditures | 3,500 | 2,000 | 1,500 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,500) | (1,990) | 1,510 |
| Net Change in Fund Balances | (3,500) | (1,990) | 1,510 |
| Fund Balances, Beginning of Year | 432,949 | 432,949 | - |
| Fund Balances, End of Year | \$ 429,449 | \$ 430,959 | \$ 1,510 |

CITY OF MORENO VALLEY
BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY LEASE REVENUE BONDS 1997 DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| Revenues: | | | |
| Use of money and property | \$ - | \$ 25,817 | \$ 25,817 |
| Total Revenues | <u>-</u> | <u>25,817</u> | <u>25,817</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | 170,000 | 170,000 | - |
| Interest and fiscal charges | <u>234,525</u> | <u>235,900</u> | <u>(1,375)</u> |
| Total Expenditures | <u>404,525</u> | <u>405,900</u> | <u>(1,375)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(404,525)</u> | <u>(380,083)</u> | <u>24,442</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | <u>404,525</u> | <u>404,525</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>404,525</u> | <u>404,525</u> | <u>-</u> |
| Net Change in Fund Balances | - | 24,442 | 24,442 |
| Fund Balances, Beginning of Year | <u>741,846</u> | <u>741,846</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 741,846</u> | <u>\$ 766,288</u> | <u>\$ 24,442</u> |

CITY OF MORENO VALLEY
 BUDGETARY COMPARISON SCHEDULE
 LEASE REVENUE BONDS 2005 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2007

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|
| Revenues: | | | |
| Use of money and property | \$ 18,648 | \$ 251,652 | \$ 233,004 |
| Total Revenues | 18,648 | 251,652 | 233,004 |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | 470,000 | 470,000 | - |
| Interest and fiscal charges | 2,146,878 | 2,139,904 | 6,974 |
| Total Expenditures | 2,616,878 | 2,609,904 | 6,974 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,598,230) | (2,358,252) | 239,978 |
| Other Financing Sources (Uses): | | | |
| Issuance of debt | - | - | - |
| Transfers in | 1,717,796 | 2,017,796 | 300,000 |
| Total Other Financing Sources (Uses) | 1,717,796 | 2,017,796 | 300,000 |
| Net Change in Fund Balances | (880,434) | (340,456) | 539,978 |
| Fund Balances, Beginning of Year, as Restated | 7,528,310 | 7,528,310 | - |
| Fund Balances, End of Year | \$ 6,647,876 | \$ 7,187,854 | \$ 539,978 |

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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, 2007

| | <u>Liability Insurance</u> | <u>Worker's Compensation</u> | <u>Technology Services</u> |
|--|--------------------------------|----------------------------------|--------------------------------|
| Assets: | | | |
| Current: | | | |
| Cash and investments | \$ 2,668,367 | \$ 2,305,353 | \$ 6,751,784 |
| Receivables: | | | |
| Accounts | 8,413 | 75,401 | 1,053 |
| Prepaid costs | 260 | 2,860 | - |
| Inventories | - | - | - |
| | <u>2,677,040</u> | <u>2,383,614</u> | <u>6,752,837</u> |
| Total Current Assets | | | |
| Noncurrent: | | | |
| Capital assets - net of accumulated depreciation | - | - | 1,057,339 |
| | <u>2,677,040</u> | <u>2,383,614</u> | <u>7,810,176</u> |
| Total Assets | | | |
| Liabilities and Net Assets: | | | |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | \$ 21,532 | \$ 1,827 | \$ 236,885 |
| Accrued payroll payable | 15,383 | 14,081 | 163,882 |
| | <u>36,915</u> | <u>15,908</u> | <u>400,767</u> |
| Total Current Liabilities | | | |
| Long-Term: | | | |
| Self-insurance payable | 1,350,000 | 1,825,000 | - |
| | <u>1,386,915</u> | <u>1,840,908</u> | <u>400,767</u> |
| Total Liabilities | | | |
| Net Assets: | | | |
| Invested in capital assets | - | - | 1,057,339 |
| Unrestricted | 1,290,125 | 542,706 | 6,352,070 |
| | <u>1,290,125</u> | <u>542,706</u> | <u>7,409,409</u> |
| Total Net Assets | | | |
| Total Liabilities and Net Assets | <u>\$ 2,677,040</u> | <u>\$ 2,383,614</u> | <u>\$ 7,810,176</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> |
|-------------------------|------------------------|---------------------------|------------------------------|------------------------------|----------------------|
| \$ 137,179 | \$ 14,751 | \$ 3,736,139 | \$ 197,025 | \$ 11,027,396 | \$ 26,837,994 |
| - | - | 626 | 453 | - | 85,946 |
| 24,673 | - | - | - | - | 27,793 |
| 15,235 | - | - | 9,462 | - | 24,697 |
| <u>177,087</u> | <u>14,751</u> | <u>3,736,765</u> | <u>206,940</u> | <u>11,027,396</u> | <u>26,976,430</u> |
| 67,687 | 20,451 | 7,622,499 | 146,080 | 1,436,724 | 10,350,780 |
| <u>244,774</u> | <u>35,202</u> | <u>11,359,264</u> | <u>353,020</u> | <u>12,464,120</u> | <u>37,327,210</u> |
| \$ 19,991 | \$ 6,107 | \$ 190,120 | \$ 40,643 | \$ - | \$ 517,105 |
| 12,072 | 8,532 | 73,430 | 29,649 | - | 317,029 |
| <u>32,063</u> | <u>14,639</u> | <u>263,550</u> | <u>70,292</u> | <u>-</u> | <u>834,134</u> |
| - | - | - | - | - | 3,175,000 |
| <u>32,063</u> | <u>14,639</u> | <u>263,550</u> | <u>70,292</u> | <u>-</u> | <u>4,009,134</u> |
| 67,687 | 20,451 | 7,622,499 | 146,080 | 1,436,724 | 10,350,780 |
| 145,024 | 112 | 3,473,215 | 136,648 | 11,027,396 | 22,967,296 |
| <u>212,711</u> | <u>20,563</u> | <u>11,095,714</u> | <u>282,728</u> | <u>12,464,120</u> | <u>33,318,076</u> |
| <u>\$ 244,774</u> | <u>\$ 35,202</u> | <u>\$ 11,359,264</u> | <u>\$ 353,020</u> | <u>\$ 12,464,120</u> | <u>\$ 37,327,210</u> |

CITY OF MORENO VALLEY

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007**

| | <u>General Liability</u> | <u>Worker's Compensation</u> | <u>Technology Services</u> | <u>Central Services</u> |
|-----------------------------------|------------------------------|----------------------------------|--------------------------------|-----------------------------|
| Operating Revenues: | | | | |
| Sales and service charges | \$ 870,452 | \$ 1,000,979 | \$ 4,675,418 | \$ 396,996 |
| Miscellaneous | - | 155,344 | 3,977 | - |
| | <u>870,452</u> | <u>1,156,323</u> | <u>4,679,395</u> | <u>396,996</u> |
| Operating Expenses: | | | | |
| Cost of services | 305,900 | 288,566 | 3,799,847 | 244,805 |
| Self-insurance claims and charges | 564,552 | 867,757 | - | - |
| Depreciation | - | - | 524,062 | 9,853 |
| | <u>870,452</u> | <u>1,156,323</u> | <u>4,323,909</u> | <u>254,658</u> |
| Operating Income (Loss) | <u>-</u> | <u>-</u> | <u>355,486</u> | <u>142,338</u> |
| Income (Loss) Before Transfers | - | - | 355,486 | 142,338 |
| Transfers in | - | 500,000 | 142,952 | - |
| Transfers out | <u>(500,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in Net Assets | (500,000) | 500,000 | 498,438 | 142,338 |
| Net Assets: | | | | |
| Beginning of Fiscal Year | <u>1,790,125</u> | <u>42,706</u> | <u>6,910,971</u> | <u>70,373</u> |
| Net assets at end of year | <u>\$ 1,290,125</u> | <u>\$ 542,706</u> | <u>\$ 7,409,409</u> | <u>\$ 212,711</u> |

| <u>Graphic Support</u> | <u>City Hall Facility</u> | <u>Equipment Maintenance</u> | <u>Equipment Replacement</u> | <u>Total</u> |
|------------------------|---------------------------|------------------------------|------------------------------|----------------------|
| \$ 263,037 | \$ 4,111,179 | \$ 1,308,687 | \$ 2,035,984 | \$ 14,662,732 |
| - | 2,070 | - | 54,918 | 216,309 |
| <u>263,037</u> | <u>4,113,249</u> | <u>1,308,687</u> | <u>2,090,902</u> | <u>14,879,041</u> |
| 274,051 | 2,808,456 | 856,754 | - | 8,578,379 |
| - | - | - | - | 1,432,309 |
| <u>2,774</u> | <u>70,229</u> | <u>32,746</u> | <u>475,840</u> | <u>1,115,504</u> |
| <u>276,825</u> | <u>2,878,685</u> | <u>889,500</u> | <u>475,840</u> | <u>11,126,192</u> |
| (13,788) | 1,234,564 | 419,187 | 1,615,062 | 3,752,849 |
| (13,788) | 1,234,564 | 419,187 | 1,615,062 | 3,752,849 |
| - | 26,648 | - | - | 669,600 |
| - | (838,581) | - | (2,302,181) | (3,640,762) |
| (13,788) | 422,631 | 419,187 | (687,119) | 781,687 |
| <u>34,351</u> | <u>10,673,083</u> | <u>(136,459)</u> | <u>13,151,239</u> | <u>32,536,389</u> |
| <u>\$ 20,563</u> | <u>\$ 11,095,714</u> | <u>\$ 282,728</u> | <u>\$ 12,464,120</u> | <u>\$ 33,318,076</u> |

CITY OF MORENO VALLEY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

| | <u>General Liability Insurance</u> | <u>Worker's Compensation</u> | <u>Technology Services</u> |
|---|--|----------------------------------|--------------------------------|
| Cash Flows from Operating Activities: | | | |
| Cash received from customers | \$ 863,696 | \$ 955,236 | \$ 4,674,412 |
| Cash payments to suppliers for goods and services | (159,982) | (88,297) | (2,020,067) |
| Cash payments for claims | (642,552) | (847,757) | - |
| Cash payments to employees for services | (181,779) | (205,667) | (1,740,931) |
| Other operating revenues (expenses) | - | 155,344 | 3,977 |
| Net Cash Provided (Used) by Operating Activities | <u>(120,617)</u> | <u>(31,141)</u> | <u>917,391</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Cash transfers from other funds | - | 500,000 | 142,952 |
| Cash transfers to other funds | (500,000) | - | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(500,000)</u> | <u>500,000</u> | <u>142,952</u> |
| Cash Flows from Capital and Related financing activities: | | | |
| Acquisition and construction of capital assets | - | - | (99,804) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>-</u> | <u>-</u> | <u>(99,804)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (620,617) | 468,859 | 960,539 |
| Cash and Cash Equivalents at Beginning of Year | 3,288,984 | 1,836,494 | 5,791,245 |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,668,367</u> | <u>\$ 2,305,353</u> | <u>\$ 6,751,784</u> |
| Reconciliation of Change in Net Assets to Net Cash provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ - | \$ - | \$ 355,486 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation | - | - | 524,062 |
| (Increase) decrease in accounts receivable | (6,756) | (45,743) | (1,006) |
| (Increase) decrease in prepaids | (260) | (2,860) | - |
| (Increase) decrease in inventories | - | - | - |
| Increase (decrease) in accounts payable | (37,432) | 1,398 | 6,714 |
| Increase (decrease) in other accrued liabilities | 1,831 | (3,936) | 32,135 |
| Increase (decrease) in due to other funds | - | - | - |
| Increase (decrease) in self-insurance payable | (78,000) | 20,000 | - |
| Total Adjustments | <u>(120,617)</u> | <u>(31,141)</u> | <u>561,905</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (120,617)</u> | <u>\$ (31,141)</u> | <u>\$ 917,391</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, 2007.

| <u>Central Services</u> | <u>Graphic Support</u> | <u>City Hall Facility</u> | <u>Equipment Maintenance</u> | <u>Equipment Replacement</u> | <u>Totals</u> |
|-------------------------|------------------------|---------------------------|------------------------------|------------------------------|----------------------|
| \$ 396,996 | \$ 263,037 | \$ 4,110,887 | \$ 1,308,234 | \$ 2,035,984 | \$ 14,608,482 |
| (142,208) | (115,465) | (2,090,844) | (825,349) | 210,645 | (5,231,567) |
| - | - | - | - | - | (1,490,309) |
| (111,201) | (162,604) | (789,387) | (259,123) | - | (3,450,692) |
| - | - | 2,070 | - | 54,918 | 216,309 |
| <u>143,587</u> | <u>(15,032)</u> | <u>1,232,726</u> | <u>223,762</u> | <u>2,301,547</u> | <u>4,652,223</u> |
| - | - | 26,648 | - | - | 669,600 |
| - | - | (838,581) | - | (2,302,181) | (3,640,762) |
| - | - | <u>(811,933)</u> | - | <u>(2,302,181)</u> | <u>(2,971,162)</u> |
| (36,743) | (9,353) | (139,256) | (26,737) | - | (311,893) |
| <u>(36,743)</u> | <u>(9,353)</u> | <u>(139,256)</u> | <u>(26,737)</u> | <u>-</u> | <u>(311,893)</u> |
| 106,844 | (24,385) | 281,537 | 197,025 | (634) | 1,369,168 |
| 30,335 | 39,136 | 3,454,602 | - | 11,028,030 | 25,468,826 |
| <u>\$ 137,179</u> | <u>\$ 14,751</u> | <u>\$ 3,736,139</u> | <u>\$ 197,025</u> | <u>\$ 11,027,396</u> | <u>\$ 26,837,994</u> |
| \$ 142,338 | \$ (13,788) | \$ 1,234,564 | \$ 419,187 | \$ 1,615,062 | \$ 3,752,849 |
| 9,853 | 2,774 | 70,229 | 32,746 | 475,840 | 1,115,504 |
| - | - | (292) | (453) | - | (54,250) |
| 6,223 | - | - | - | - | 3,103 |
| (694) | - | - | (2,346) | - | (3,040) |
| (21,837) | (2,814) | (79,576) | (21,169) | - | (154,716) |
| 7,704 | (1,204) | 7,801 | 6,442 | - | 50,773 |
| - | - | - | (210,645) | 210,645 | - |
| - | - | - | - | - | (58,000) |
| <u>1,249</u> | <u>(1,244)</u> | <u>(1,838)</u> | <u>(195,425)</u> | <u>686,485</u> | <u>899,374</u> |
| <u>\$ 143,587</u> | <u>\$ (15,032)</u> | <u>\$ 1,232,726</u> | <u>\$ 223,762</u> | <u>\$ 2,301,547</u> | <u>\$ 4,652,223</u> |

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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).

Moreno Valley Employees Assistance Fund

This fund is used to account for employee donations to assist fellow employees who are in need of financial assistance.

Moreno Valley Foundation Donations Fund

This fund is being used on a temporary basis to account for the receipts and disbursements of the Moreno Valley Community Foundation until such time that the Foundation is officially cleared by the Internal Revenue Service to become operational as a tax-exempt 501 (c) 3 organization.

CITY OF MORENO VALLEY
 COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2007

| | Deposit Liability | Assessment District 87-4 | Assessment District 98-1 |
|--|------------------------------|---|---|
| Assets: | | | |
| Cash and investments | \$ 7,312,082 | \$ 162,134 | \$ 19 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts | 85,494 | - | - |
| Interest | - | 3,540 | - |
| Due from other governments | - | - | - |
| Restricted assets: | | | |
| Cash and investments with fiscal agents | - | 861,094 | - |
| Total Assets | \$ 7,397,576 | \$ 1,026,768 | \$ 19 |
| Liabilities: | | | |
| Accounts payable | \$ 61,163 | \$ - | \$ 19 |
| Other accrued liabilities | 1,295 | - | - |
| Deposits payable | 7,335,118 | - | - |
| Payable to trustee | - | 1,026,768 | - |
| Total Liabilities | \$ 7,397,576 | \$ 1,026,768 | \$ 19 |

| <u>TUMF Trust</u> | <u>MSHCP Trust</u> | <u>MV Employees Assistance</u> | <u>MV Foundation Donations</u> | <u>Totals</u> |
|---------------------|--------------------|--------------------------------|--------------------------------|----------------------|
| \$ 1,681,175 | \$ 227,438 | \$ 646 | \$ - | \$ 9,383,494 |
| - | - | - | 300 | 85,794 |
| - | - | - | - | 3,540 |
| - | 26,416 | - | - | 26,416 |
| - | - | - | - | 861,094 |
| <u>\$ 1,681,175</u> | <u>\$ 253,854</u> | <u>\$ 646</u> | <u>\$ 300</u> | <u>\$ 10,360,338</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 61,182 |
| - | - | - | - | 1,295 |
| 1,681,175 | 253,854 | 646 | - | 9,270,793 |
| - | - | - | 300 | 1,027,068 |
| <u>\$ 1,681,175</u> | <u>\$ 253,854</u> | <u>\$ 646</u> | <u>\$ 300</u> | <u>\$ 10,360,338</u> |

CITY OF MORENO VALLEY

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

| | Balance July 1, 2006 | Additions | Deletions | Balance June 30, 2007 |
|--|-------------------------|----------------------|----------------------|--------------------------|
| <u>Deposit Liability</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 7,255,600 | \$ 15,106,989 | \$ 15,050,507 | \$ 7,312,082 |
| Accounts receivable | 48,288 | 5,143,925 | 5,106,718 | 85,495 |
| Total Assets | \$ 7,303,888 | \$ 20,250,914 | \$ 20,157,225 | \$ 7,397,577 |
| Liabilities: | | | | |
| Accounts payable | \$ 137,103 | \$ 2,151,905 | \$ 2,227,845 | \$ 61,163 |
| Other accrued liabilities | 2,354 | 12,832 | 13,891 | 1,295 |
| Deposits payable | 7,164,431 | 5,173,955 | 5,003,267 | 7,335,119 |
| Total Liabilities | \$ 7,303,888 | \$ 7,338,692 | \$ 7,245,003 | \$ 7,397,577 |
| <u>Assessment District 87-4</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 67,038 | \$ 531,739 | \$ 436,643 | \$ 162,134 |
| Cash and investments held by trustee | 900,857 | 688,433 | 728,196 | 861,094 |
| Interest receivable | 3,611 | 3,541 | 3,612 | 3,540 |
| Due from other governments | 4,588 | - | 4,588 | - |
| Total Assets | \$ 976,094 | \$ 1,223,713 | \$ 1,173,039 | \$ 1,026,768 |
| Liabilities: | | | | |
| Accounts payable | \$ 245,686 | \$ - | \$ 245,686 | \$ - |
| Payable to trustee | 730,408 | 802,586 | 506,226 | 1,026,768 |
| Total Liabilities | \$ 976,094 | \$ 802,586 | \$ 751,912 | \$ 1,026,768 |
| <u>Assessment District 98-1</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 44 | \$ 2,062 | \$ 2,087 | \$ 19 |
| Total Assets | \$ 44 | \$ 2,062 | \$ 2,087 | \$ 19 |
| Liabilities: | | | | |
| Accounts payable | \$ 44 | \$ 2,062 | \$ 2,087 | \$ 19 |
| Total Liabilities | \$ 44 | \$ 2,062 | \$ 2,087 | \$ 19 |

CITY OF MORENO VALLEY

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

| | Balance July 1, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---------------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| <u>TUMF Trust</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 7,756,310 | \$ 6,923,147 | \$ 12,998,282 | \$ 1,681,175 |
| Total Assets | \$ 7,756,310 | \$ 6,923,147 | \$ 12,998,282 | \$ 1,681,175 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 12,917,313 | \$ 12,917,313 | \$ - |
| Deposits payable | 7,756,310 | 6,939,168 | 13,014,303 | 1,681,175 |
| Total Liabilities | \$ 7,756,310 | \$ 19,856,481 | \$ 25,931,616 | \$ 1,681,175 |
| <u>MSHCP Trust</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,126,189 | \$ 2,039,618 | \$ 2,938,369 | \$ 227,438 |
| Due from other governments | 26,416 | - | - | 26,416 |
| Total Assets | \$ 1,152,605 | \$ 2,039,618 | \$ 2,938,369 | \$ 253,854 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 2,543,044 | \$ 2,543,044 | \$ - |
| Deposits payable | 1,152,605 | 1,716,034 | 2,614,785 | 253,854 |
| Total Liabilities | \$ 1,152,605 | \$ 4,259,078 | \$ 5,157,829 | \$ 253,854 |
| <u>MV Employees Assistance</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ - | \$ 646 | \$ - | \$ 646 |
| Total Assets | \$ - | \$ 646 | \$ - | \$ 646 |
| Liabilities: | | | | |
| Deposits payable | \$ - | \$ 792 | \$ 146 | \$ 646 |
| Total Liabilities | \$ - | \$ 792 | \$ 146 | \$ 646 |

CITY OF MORENO VALLEY

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

| | Balance July 1, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| <u>MV Foundation Donations</u> | | | | |
| Assets: | | | | |
| Accounts receivable | \$ - | \$ 300 | \$ - | \$ 300 |
| Total Assets | \$ - | \$ 300 | \$ - | \$ 300 |
| Liabilities: | | | | |
| Payable to trustee | \$ - | \$ 300 | \$ - | \$ 300 |
| Total Liabilities | \$ - | \$ 300 | \$ - | \$ 300 |
| <u>Totals - All Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 16,205,181 | \$ 24,604,201 | \$ 31,425,888 | \$ 9,383,494 |
| Cash and investments held by trustee | 900,857 | 688,433 | 728,196 | 861,094 |
| Accounts receivable | 48,288 | 5,144,225 | 5,106,719 | 85,794 |
| Interest receivable | 3,611 | 3,541 | 3,612 | 3,540 |
| Due from other governments | 31,004 | - | 4,588 | 26,416 |
| Total Assets | \$ 17,188,941 | \$ 30,440,400 | \$ 37,269,003 | \$ 10,360,338 |
| Liabilities: | | | | |
| Accounts payable | \$ 382,833 | \$ 17,614,324 | \$ 17,935,975 | \$ 61,182 |
| Other accrued liabilities | 2,354 | 12,832 | 13,891 | 1,295 |
| Deposits payable | 16,073,346 | 13,829,949 | 20,632,502 | 9,270,793 |
| Payable to trustee | 730,408 | 802,886 | 506,226 | 1,027,068 |
| Total Liabilities | \$ 17,188,941 | \$ 32,259,991 | \$ 39,088,594 | \$ 10,360,338 |

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**CITY OF MORENO VALLEY
SCHEDULE OF GENERAL CAPITAL ASSETS
BY FUNCTION AND ACTIVITY
JUNE 30, 2007**

| | <u>Land</u> | <u>CIP</u> | <u>Buildings and Improvements</u> |
|---------------------------------|-----------------------|----------------------|---------------------------------------|
| Function and Activity: | | | |
| General Government: | | | |
| Administrative & Policy | \$ - | \$ - | \$ - |
| City Attorney | - | - | - |
| Communications | - | - | - |
| Human Resources | - | - | - |
| Finance | - | - | - |
| Other- Unclassified | 48,496,530 | - | 1,261,912 |
| Total General Government | 48,496,530 | - | 1,261,912 |
| Public Safety: | | | |
| Police | - | - | 8,094,912 |
| Fire | 893,270 | - | 9,749,863 |
| Animal Control | 590,610 | - | 3,040,333 |
| Volunteer Services | - | - | 15,937 |
| Total Public Safety | 1,483,880 | - | 20,901,045 |
| Public Works | 248,120,894 | 20,042,874 | - |
| Community Development | - | - | - |
| Community Services District | - | - | 48,490,682 |
| Redevelopment Agency | 7,179,757 | - | 12,191,837 |
| Internal Service Funds | - | 351,857 | 9,904,180 |
| Total | 255,300,651 | 20,394,731 | 70,586,699 |
| Grand Total | \$ 305,281,061 | \$ 20,394,731 | \$ 92,749,656 |

| <u>Furnitures & 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 | - | - | 49,795,274 |
| <u>184,258</u> | <u>99,422</u> | <u>-</u> | <u>50,042,122</u> |
| 650,829 | 957,123 | - | 9,702,864 |
| 630,662 | 1,926,179 | - | 13,199,974 |
| 176,725 | 190,545 | - | 3,998,213 |
| 8,657 | 123,807 | - | 148,401 |
| <u>1,466,873</u> | <u>3,197,654</u> | <u>-</u> | <u>27,049,452</u> |
| 874,159 | 2,072,051 | 404,026,421 | 675,136,399 |
| 197,286 | 380,963 | - | 578,249 |
| 1,219,642 | 463,091 | - | 50,173,415 |
| 352,837 | - | 1,152,231 | 20,876,662 |
| <u>5,477,692</u> | <u>2,788,572</u> | <u>198,868</u> | <u>18,721,169</u> |
| <u>8,121,616</u> | <u>5,704,677</u> | <u>405,377,520</u> | <u>765,485,894</u> |
| <u>\$ 9,772,747</u> | <u>\$ 9,001,753</u> | <u>\$ 405,377,520</u> | <u>\$ 842,577,468</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> |
|--|---------------|
| Financial Trends | 154-160 |
| <p>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</p> | |
| Revenue Capacity | 161-164 |
| <p>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its key revenues</p> | |
| Debt Capacity | 165-168 |
| <p>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</p> | |
| Demographic and Economic Information | 169-171 |
| <p>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.</p> | |
| Operating Information | 172-173 |
| <p>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.</p> | |

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 five fiscal years
 (accrual basis of accounting)

| | Fiscal Year | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| <u>Governmental activities</u> | | | | | |
| Invested in capital assets, net of related debt | \$ 447,696,730 | \$ 465,542,271 | \$ 475,642,146 | \$ 523,083,597 | \$ 594,870,636 |
| Restricted for: | | | | | |
| Community development projects | 9,974,997 | 6,961,781 | 6,404,249 | 10,076,376 | 14,863,573 |
| Public safety | 1,838,076 | 2,086,222 | 2,649,176 | 1,655,374 | 973,667 |
| Capital projects | 42,698,617 | 40,769,509 | 47,442,301 | 60,687,985 | 66,493,508 |
| Debt service | 10,972,696 | 23,966,889 | 21,673,132 | 12,985,998 | 12,538,629 |
| Permanent funds-nonexpendable | - | - | - | 59,359 | 62,537 |
| Unrestricted | 29,118,995 | 32,744,174 | 46,215,255 | 73,846,697 | 102,970,901 |
| Total Governmental activities net assets | \$ 542,300,111 | \$ 572,070,846 | \$ 600,026,259 | \$ 682,395,386 | \$ 792,773,451 |
| <u>Business-type activities</u> | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ 709,310 | \$ 1,815,311 | \$ 18,151,135 | \$ 14,130,659 |
| Restricted | - | - | - | - | - |
| Regulatory contingencies | - | - | - | - | 1,604,444 |
| Unrestricted | - | (575,790) | (799,941) | (3,713,053) | (634,406) |
| Total Business-type activities net assets | \$ - | \$ 133,520 | \$ 1,015,370 | \$ 14,438,082 | \$ 15,100,697 |
| <u>Primary government</u> | | | | | |
| Invested in capital assets, net of related debt | \$ 447,696,730 | \$ 466,251,581 | \$ 477,457,457 | \$ 541,234,732 | \$ 609,001,295 |
| Restricted for: | | | | | |
| Community development projects | 9,974,997 | 6,961,781 | 6,404,249 | 10,076,376 | 14,863,573 |
| Public safety | 1,838,076 | 2,086,222 | 2,649,176 | 1,655,374 | 973,667 |
| Capital projects | 42,698,617 | 40,769,509 | 47,442,301 | 60,687,985 | 66,493,508 |
| Debt service | 10,972,696 | 23,966,889 | 21,673,132 | 12,985,998 | 12,538,629 |
| Permanent funds-nonexpendable | - | - | - | 59,359 | 62,537 |
| Regulatory contingencies | - | - | - | - | 1,604,444 |
| Unrestricted | 29,118,995 | 32,168,384 | 45,415,314 | 70,133,644 | 102,336,495 |
| Total primary government net assets | \$ 542,300,111 | \$ 572,204,366 | \$ 601,041,629 | \$ 696,833,468 | \$ 807,874,148 |

Note: The city implemented the GASB 34 reporting model in Fiscal Year 2003. Information prior to the implementation of GASB 34 is not available.

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

| | Fiscal Year | | | | |
|---|---------------|---------------|----------------|----------------|----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 11,792,961 | \$ 10,902,771 | \$ 18,583,987 | \$ 12,817,483 | \$ 10,796,963 |
| Public safety | 29,059,953 | 39,563,567 | 42,797,971 | 47,282,305 | 43,415,662 |
| Community development | 6,069,282 | 8,198,449 | 10,041,715 | 13,666,378 | 9,643,084 |
| Community and cultural | 7,112,868 | 13,789,758 | 14,132,146 | 15,999,800 | 21,181,096 |
| Public works | 11,097,843 | 10,287,806 | 11,352,870 | 10,273,707 | 30,750,411 |
| Interest on long-term debt | 5,243,788 | 5,869,952 | 5,514,358 | 8,079,935 | 8,724,134 |
| Total Governmental activities expenses | 70,376,695 | 88,612,303 | 102,423,047 | 108,119,608 | 124,511,350 |
| Business-type activities: | | | | | |
| Electric | - | 76,106 | 1,080,589 | 3,673,509 | 8,298,955 |
| Total business-type activities expenses | - | 76,106 | 1,080,589 | 3,673,509 | 8,298,955 |
| Total primary government expenses | \$ 70,376,695 | \$ 88,688,409 | \$ 103,503,636 | \$ 111,793,117 | \$ 132,810,305 |
| Program revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | \$ 1,855,048 | \$ 1,699,588 | \$ 1,855,342 | \$ 2,447,730 | \$ 2,994,550 |
| Public safety | 753,098 | 922,986 | 1,158,745 | 2,040,725 | 1,212,229 |
| Community development | 4,162,811 | 7,964,124 | 10,814,238 | 12,576,280 | 12,947,546 |
| Community and cultural | 7,884,845 | 8,397,842 | 9,012,514 | 10,067,509 | 10,963,716 |
| Public works | 9,957,309 | 16,113,736 | 14,639,669 | 20,523,959 | 10,612,170 |
| Operating contributions and grants: | | | | | |
| General government | 5,260,233 | 2,315,147 | 2,121,229 | 422,310 | 622,513 |
| Public safety | 774,529 | 973,642 | 773,875 | 838,921 | 931,062 |
| Community development | 1,018,351 | 866,940 | 1,586,824 | 3,252,611 | 4,023,295 |
| Community and cultural | 472,825 | 1,216 | 68,396 | 133,325 | 100,777 |
| Public works | 909,427 | 626,074 | 887,750 | 2,985,031 | 460,787 |
| Capital contributions and grants | | | | | |
| Public safety | 41,516 | 221,729 | - | - | - |
| Public works | 2,257,121 | 1,157,085 | 2,160,498 | 24,442,306 | 74,752,980 |
| Total governmental activities program revenues | 35,347,113 | 41,260,109 | 45,079,080 | 79,730,707 | 119,621,625 |
| Business-type activities: | | | | | |
| Charges for services | - | 319,135 | 1,356,555 | 11,445,287 | 8,712,097 |
| Electric | - | - | - | - | 1,604,577 |
| Capital contributions and grants | - | 319,135 | 1,356,555 | 11,445,287 | 10,316,674 |
| Total business-type activities program revenues | - | 319,135 | 1,356,555 | 11,445,287 | 129,938,299 |
| Total primary government program revenues | 35,347,113 | 41,579,244 | 46,435,635 | 91,175,994 | 129,938,299 |

(Continued)

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

| | Fiscal Year | | | | |
|---|------------------------|------------------------|------------------------|------------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Net (Expense)/Revenue | | | | | |
| Governmental activities | (35,029,582) | (47,352,194) | (57,343,967) | (28,388,901) | (4,889,725) |
| Business-type activities | - | 243,029 | 275,966 | 7,771,778 | 2,017,719 |
| Total primary government net (expense)/revenue | <u>\$ (35,029,582)</u> | <u>\$ (47,109,165)</u> | <u>\$ (57,068,001)</u> | <u>\$ (20,617,123)</u> | <u>\$ (2,872,006)</u> |
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 10,950,053 | \$ 12,897,208 | \$ 19,678,253 | \$ 18,001,808 | \$ 23,379,735 |
| Property taxes in lieu | - | - | 8,644,834 | 12,068,070 | 14,150,000 |
| Transient occupancy tax | 358,530 | 455,009 | 519,193 | 582,307 | 586,383 |
| Sales tax | 13,547,375 | 15,469,300 | 18,054,078 | 12,275,626 | 15,701,460 |
| Franchise taxes | 3,253,708 | 3,599,486 | 3,791,547 | 4,099,859 | 4,349,870 |
| Business license taxes | 1,144,428 | 1,289,434 | 1,457,521 | 1,240,764 | 1,315,039 |
| Utility users tax | 9,718,667 | 10,980,848 | 12,527,514 | 13,811,740 | 15,463,291 |
| Other taxes | 7,359,328 | 7,963,160 | 4,497,323 | 5,448,829 | 6,320,978 |
| Franchise in lieu taxes | - | - | 9,699 | 42,788 | 78,573 |
| Documentary transfer tax | 599,128 | 1,055,205 | 1,391,199 | 1,548,205 | 972,995 |
| Intergovernmental-motor vehicle in lieu, unrestricted | 9,244,049 | 7,288,137 | 3,484,623 | 11,899,563 | 16,054,145 |
| Use of property and money | 3,192,284 | 1,608,126 | 5,295,415 | 6,959,412 | 13,467,580 |
| Miscellaneous | 3,287,271 | 14,427,133 | 5,435,103 | 1,820,976 | 405,679 |
| Transfers | - | 193,000 | (16,857) | (1,257,370) | (75,851) |
| Total governmental activities | <u>62,654,821</u> | <u>77,226,046</u> | <u>84,769,445</u> | <u>88,542,577</u> | <u>112,169,877</u> |
| Business-type activities | | | | | |
| Other | - | 83,491 | 589,027 | - | - |
| Transfers | - | (193,000) | 16,857 | 1,257,370 | 75,851 |
| Total business-type activities | - | (109,509) | 605,884 | 1,257,370 | 75,851 |
| Total primary government | <u>\$ 62,654,821</u> | <u>\$ 77,116,537</u> | <u>\$ 85,375,329</u> | <u>\$ 89,799,947</u> | <u>\$ 112,245,728</u> |
| Change in Net Assets | | | | | |
| Government activities | 27,625,239 | 29,873,852 | 27,425,478 | 60,153,676 | 107,280,152 |
| Business-type activities | - | 133,520 | 881,850 | 9,029,148 | 2,093,570 |
| Total primary government | <u>\$ 27,625,239</u> | <u>\$ 30,007,372</u> | <u>\$ 28,307,328</u> | <u>\$ 69,182,824</u> | <u>\$ 109,373,722</u> |

Note: The city implemented the GASB 34 reporting model in Fiscal Year 2003. Information prior to the implementation of GASB 34 is not available.

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

| | Fiscal Year | | | | |
|-------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| General Fund | | | | | |
| Reserved | 1,739,505 | 6,654,472 | 6,052,320 | 11,808,994 | 13,580,492 |
| Unreserved | 13,760,886 | 11,943,948 | 24,992,976 | 25,920,111 | 39,494,188 |
| Total General Fund | <u>15,500,391</u> | <u>18,598,420</u> | <u>31,045,296</u> | <u>37,729,105</u> | <u>53,074,680</u> |
| All Other Funds | | | | | |
| Reserved | 20,129,052 | 26,685,317 | 21,994,729 | 49,040,215 | 50,579,270 |
| Unreserved reported in: | | | | | |
| Special revenue funds | 26,948,201 | 37,493,168 | 44,049,195 | 47,464,569 | 48,534,518 |
| Capital projects funds | 18,703,575 | (6,891,945) | (2,959,368) | 27,383,018 | 36,453,807 |
| 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> | <u>135,567,595</u> |

Note: The city implemented the GASB 34 reporting model in Fiscal Year 2003. Information prior to the implementation of GASB 34 is not available.

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

| | Fiscal Year | | | | |
|--|---------------|---------------|---------------|--------------|--------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Revenue | | | | | |
| Taxes | \$ 40,776,674 | \$ 46,216,887 | \$ 54,463,821 | \$ - | \$ - |
| Property tax | - | - | - | 14,342,099 | 26,854,009 |
| Property taxes in lieu | - | - | - | 12,068,070 | 14,150,000 |
| Utility taxes | - | - | - | 13,811,740 | 15,463,291 |
| Sales taxes | - | - | - | 12,275,627 | 15,701,460 |
| Other taxes | - | - | - | 16,622,460 | 9,637,850 |
| Assessments | 82,842 | 41,683 | - | - | - |
| Licenses, fees and permits | 4,945,682 | 8,868,460 | 12,159,692 | 13,041,187 | 13,552,983 |
| Charges for services | 19,933,502 | 26,874,096 | 25,755,085 | 18,574,210 | 25,046,576 |
| Intergovernmental | 26,201,103 | 20,164,244 | 27,037,053 | 33,213,048 | 16,703,254 |
| Use of property and money | 3,187,073 | 1,571,485 | 4,438,468 | 7,199,105 | 13,466,716 |
| Fines and forfeitures | 942,411 | 929,813 | 1,097,508 | 1,205,173 | 1,159,350 |
| Miscellaneous | 1,921,073 | 1,393,391 | 4,078,406 | 2,652,320 | 1,089,949 |
| Total revenues | 97,990,360 | 106,060,059 | 129,030,033 | 145,005,039 | 152,825,438 |
| Expenditures | | | | | |
| General government | 12,009,132 | 8,937,124 | 14,983,932 | 10,723,374 | 12,060,789 |
| Public Safety | 29,024,897 | 32,300,542 | 36,806,865 | 43,478,949 | 50,276,192 |
| Community development | 6,235,962 | 6,790,803 | 8,711,599 | 24,608,096 | 10,116,658 |
| Community and cultural | 7,761,494 | 11,492,361 | 12,331,683 | 14,889,677 | 19,286,807 |
| Public works | 11,826,893 | 8,724,368 | 9,999,497 | 21,262,923 | 31,391,248 |
| 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 | 3,095,000 |
| Interest and fiscal charges | 5,267,169 | 5,897,812 | 5,381,740 | 7,334,361 | 8,486,449 |
| Bond issuance costs | - | - | - | 664,638 | 326,385 |
| Total expenditures | 88,642,933 | 109,262,895 | 110,824,917 | 125,858,603 | 135,039,528 |
| Excess of revenues over/ (under) expenditures | 9,347,427 | (3,202,836) | 18,205,116 | 19,146,436 | 17,785,910 |
| Other Financing Sources (Uses) | | | | | |
| Issuance of debt | - | - | - | 48,205,000 | 5,870,000 |
| Transfers in | 15,442,256 | 13,058,959 | 24,871,852 | 37,201,043 | 33,422,242 |
| Transfers out | (14,606,672) | (12,125,059) | (24,165,709) | (38,480,919) | (30,526,931) |
| 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 | - | - |
| Total other financing sources (uses) | 2,036,253 | 2,133,243 | (4,049,676) | 47,110,324 | 8,765,311 |
| Net change in fund balances | 11,383,680 | (1,069,593) | 14,155,440 | 66,256,760 | 26,551,221 |
| Debt service as a percentage of noncapital expenditures | 11.91% | 27.87% | 8.91% | 10.54% | 10.89% |

Note: The city implemented the GASB 34 reporting model in Fiscal Year 2003. Information prior to the implementation of GASB 34 is not available.

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

| Fiscal Year | Property | Property Tax In-Lieu of Vehicle | | Utility Users | Sales & Use | Transient Occupancy | Franchise | Motor Vehicle In-Lieu | | Business License Gross Receipt | | Documentary Transfer | Total |
|---------------------|-------------|---------------------------------|------------|----------------|-------------|---------------------|--------------|-----------------------|-----------|--------------------------------|------------|----------------------|--------|
| | | License Fees | (2) | | | | | In-Lieu | Transfer | Receipt | Transfer | | |
| 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 | 1,055,205 | \$ 39,749,454 | |
| 2005 | 7,230,082 | 8,644,834 (2) | 12,527,514 | 11,753,794 | 11,753,794 | 519,193 | 3,791,546 | 987,036 (2) | 1,059,009 | 1,391,200 | 1,391,200 | \$ 47,904,208 | |
| 2006 | 11,930,618 | 12,068,070 | 13,811,740 | 11,317,841 (4) | 11,317,841 | 582,307 | 4,142,646 | 1,275,342 | 1,240,764 | 1,548,205 | 1,548,205 | \$ 57,917,533 | |
| 2007 | 14,022,135 | 14,150,000 | 15,463,291 | 13,116,271 | 13,116,271 | 586,383 | 4,349,870 | 943,313 | 1,315,039 | 972,995 | 972,995 | \$ 64,919,297 | |
| Change 2003 to 2007 | 146.00% | (3) | 100.00% | (3) | 61.00% | (3) | 64.00% | (3) | 34.00% | (3) | 63.00% | 62.00% | 71.00% |

- (1) In 2004 the State of California discontinued the back-fill of the Vehicle License Fee In-Lieu. At the same time the basis of the revenue stream was changed from a per capita calculation to the change in assessed valuations of property.
- (2) In 2005 the governor instituted the "triple-flip" which changed the funding source for Vehicle License Fees 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. The foundation of the fee is not based on the tax rates established by the city and as such is not considered to be property tax. Because this revenue is under the control of the state it would be considered a "shared" revenue rather than an "own-source" revenue.
- (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.
- (4) The decline in sales tax reported in FY 2006 is related to the implementation of the "Triple-Flip" and a take-back of revenues related to an change in the formula that was used to allocate funds to the cities. The amount of the take-back was \$720,000.

City of Moreno Valley
Key Revenues
Last Seven Fiscal Years

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</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 | \$15,463,291 |
| Property Tax | 4,714,663 | 5,098,438 | 5,192,833 | 5,710,105 | 6,354,247 | 7,680,082 | 11,930,618 | 14,022,135 |
| Property Tax In-Lieu of VLF | - | - | - | - | - | 8,644,834 | 12,068,070 | 14,150,000 |
| 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 | 943,313 |
| Sales Tax | 6,244,153 | 6,929,184 | 7,194,055 | 8,171,861 | 9,100,608 | 8,696,776 | 8,623,390 | 9,472,304 |
| Property Tax In-Lieu of Sales Tax | - | - | - | - | - | 3,057,018 | 2,694,451 | 3,643,967 |
| Development Services | 1,600,636 | 1,876,496 | 4,186,830 | 5,478,729 | 7,992,934 | 10,968,374 | 12,592,569 | 12,976,965 |

Notes:

In late FY 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 Vehicle License Fee 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

In FY 2005 in order to provide collateral for the Budget Deficit Bonds the State of California began withholding twenty five percent of the city's sales tax and replaced it with a like amount from the ERAF fund. This switch was one of the components of the "Triple-flip" and unlike the switch of vehicle license fees, which is permanent, only lasts until the bonds are repaid or mature.

Source: City of Moreno Valley Finance Department

City of Moreno Valley
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands of dollars)

| Fiscal Year Ended June 30, | City | | | | | | | | | | | Redevelopment Agency | | |
|-------------------------------|---------------|-----------------|---|------------------|------------------------|-----------------|---------------|-----------------|---|------------------|------------------------|----------------------|-----------------------|--|
| | Secured Value | Unsecured Value | Total Assessed and Estimated Full Value | Less: Exemptions | Taxable Assessed Value | Direct Tax Rate | Secured Value | Unsecured Value | Total Assessed and Estimated Full Value | Less: Exemptions | Taxable Assessed Value | Direct Tax Rate | Total Direct Tax Rate | |
| 1998 | \$ 4,699,974 | \$ 104,666 | \$ 4,804,640 | \$ (180,889) | \$ 4,623,751 | (1) | | | | | (1) | (1) | | |
| 1999 | 4,544,120 | 113,113 | 4,657,233 | (44,873) | 4,612,360 | (1) | | | | | (1) | (1) | | |
| 2000 | 4,564,738 | 117,409 | 4,682,147 | (42,922) | 4,639,225 | (1) | | | | | (1) | (1) | | |
| 2001 | 4,792,266 | 133,185 | 4,925,451 | (69,801) | 4,855,650 | (1) | | | | | (1) | (1) | | |
| 2002 | 5,214,728 | 147,427 | 5,362,155 | (75,302) | 5,286,853 | 0.00143 | 1,073,616 | 91,783 | 1,165,399 | (23,802) | 1,141,597 | 0.00472 | 0.01135 | |
| 2003 | 5,653,026 | 147,043 | 5,800,069 | (96,346) | 5,703,723 | 0.00146 | 1,205,730 | 81,997 | 1,287,727 | (28,489) | 1,259,238 | 0.00483 | 0.01144 | |
| 2004 | 6,303,887 | 146,026 | 6,449,913 | (102,466) | 6,347,447 | 0.00144 | 1,382,232 | 86,290 | 1,468,522 | (28,117) | 1,440,405 | 0.00517 | 0.01151 | |
| 2005 | 7,323,316 | 144,905 | 7,468,221 | (94,857) | 7,373,364 | 0.00145 | 1,099,233 | 55,118 | 1,154,351 | (30,978) | 1,123,373 | 0.00644 | 0.01817 | |
| 2006 | 9,182,817 | 154,614 | 9,337,431 | (109,759) | 9,227,672 | 0.00161 | 2,028,330 | 85,608 | 2,113,938 | (35,633) | 2,078,305 | 0.00643 | 0.01359 | |
| 2007 | 11,678,836 | 165,132 | 11,843,968 | (118,051) | 11,725,917 | 0.00165 | 2,546,327 | 109,685 | 2,656,012 | (47,345) | 2,608,667 | 0.00512 | 0.01393 | |

Source: H&L Cohen & Cone

(1) The tax rate detail prior to FY 2001-02 is readily available

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

City of Moreno Valley
Property Tax Rates
Direct and Overlapping Governments
Last Five Fiscal Years
(per \$100 of assessed value)

| Fiscal Year | (1) 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| City Direct Rates: | \$0.00143 | \$0.00146 | \$0.00144 | \$0.00145 | \$0.00161 | \$0.00165 |
| Redevelopment Agency Direct Rate: | 0.00472 | 0.00483 | 0.00517 | 0.00644 | 0.00643 | 0.00512 |
| Total City Direct Rate: | 0.01135 | 0.01144 | 0.01151 | 0.01817 | 0.01359 | 0.01393 |
| Eastern Municipal Water Imp Dist U-13 | 0.04300 | 0.03800 | 0.02900 | 0.03000 | 0.01400 | 0.00900 |
| Metro Water Dist East-1301999 | 0.00880 | 0.00670 | 0.00610 | 0.05780 | 0.00520 | 0.00470 |
| Moreno Valley Unified School District | 0.00000 | 0.00000 | 0.00000 | 0.03395 | 0.00000 | 0.02271 |
| Riverside Community College | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.01800 | 0.01800 |
| Total Tax Rate | <u>\$0.06315</u> | <u>\$0.05614</u> | <u>\$0.04661</u> | <u>\$0.13992</u> | <u>\$0.05079</u> | <u>\$0.06834</u> |

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the Metropolitan Water District bonds, the Eastern Municipal Water District bonds and the Riverside Community College bonds.

(1) The tax rate detail prior to FY 2001-02 is not readily available

Source: City of Moreno Valley Finance Department
County of Riverside Auditor-Controller

City of Moreno Valley
Principal Property Tax Payers
Current Year and Nine Years Ago

| Taxpayer | Fiscal Year 2006/07 | | | Fiscal Year 1997/98 | | |
|--|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percent of Total City Taxable Assessed Value |
| Walgreen Company | \$ 134,927,663 | 1 | 1.17% | \$ - | | 0.00% |
| Falls Apartments | 58,804,789 | 2 | 0.51% | - | | 0.00% |
| Moreno Valley Properties | 58,352,080 | 3 | 0.51% | - | | 0.00% |
| Ross Dress for Less Inc | 45,032,063 | 4 | 0.39% | - | | 0.00% |
| Homart Newco Two Inc | 40,000,000 | 5 | 0.35% | 67,476,140 | 1 | 1.40% |
| Moreno Valley Plaza | 29,694,237 | 6 | 0.26% | - | | 0.00% |
| Divi Divi Tree | 29,434,368 | 7 | 0.26% | - | | 0.00% |
| Knickerbocker Props Inc XLVII | 28,559,999 | 8 | 0.25% | - | | 0.00% |
| TSC | 28,452,119 | 9 | 0.25% | 22,759,502 | 4 | 0.47% |
| Towngate Lot 12 Apartments | 26,940,000 | 10 | 0.23% | - | | 0.00% |
| Secretary of Housing and Urban Development | - | | 0.00% | 34,059,988 | 2 | 0.70% |
| Metropolitan Life Insurance Co | - | | 0.00% | 28,672,198 | 3 | 0.50% |
| Moreno Valley Festival Limited | - | | 0.00% | 22,619,044 | 5 | 0.47% |
| Atsugi Kokusai Kanko USA Inc | - | | 0.00% | 20,616,376 | 6 | 0.43% |
| Magellan Cross Creek Partners | - | | 0.00% | 20,277,494 | 7 | 0.42% |
| Dayton Hudson Corporation | - | | 0.00% | 15,366,970 | 8 | 0.32% |
| Secretary of Veterans Affairs | - | | 0.00% | 15,350,433 | 9 | 0.32% |
| TE3 Asset Corporation | - | | 0.00% | 14,688,254 | 10 | 0.30% |
| | <u>\$ 480,197,318</u> | | <u>4.18%</u> | <u>\$ 261,886,399</u> | | <u>5.33%</u> |

The amounts shown above include assessed value data for both the City and the Redevelopment Agency

Source: HDI Coren & Cone

City of Moreno Valley
Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | | Collected within the Fiscal Year of Levy | | Collections in Subsequent years | Total Collections to Date | |
|-------------------------------|--|--------------------|---|--------------------|---------------------------------------|---------------------------|--------------------|
| | Amount | Percent of Levy | Amount | Percent of Levy | | Amount | Percent of Levy |
| 1998 | \$ 19,772,462 | 93.52% | \$ 18,491,752 | 93.52% | \$ 7,901 | \$ 18,499,653 | 93.56% |
| 1999 | 19,219,429 | 95.78% | 18,408,137 | 95.78% | 2,801 | 18,410,938 | 95.79% |
| 2000 | 20,369,660 | 94.03% | 19,153,769 | 94.03% | 1,435 | 19,155,204 | 94.04% |
| 2001 | 19,628,161 | 100.96% | 19,816,928 | 100.96% | - | 19,816,928 | 100.96% |
| 2002 | 21,302,107 | 93.59% | 19,936,925 | 93.59% | 11,514 | 19,948,439 | 93.65% |
| 2003 | 22,594,477 | 101.25% | 22,876,331 | 101.25% | - | 22,876,331 | 101.25% |
| 2004 | 26,353,337 | 94.43% | 24,884,530 | 94.43% | 11,609 | 24,896,139 | 94.47% |
| 2005 | 28,865,321 | 92.76% | 26,775,299 | 92.76% | 7,922 | 26,783,221 | 92.79% |
| 2006 | 30,426,678 | 106.31% | 32,347,436 | 106.31% | 37,812 | 32,385,248 | 106.44% |
| 2007 | 35,606,935 | 109.93% | 39,141,295 | 109.93% | 64,980 | 39,206,275 | 110.11% |

The City began participating in the "Teeter Plan" in FY 1993-94 which resulted in a lower amount of subsequent delinquent tax collections.

Source: County of Riverside Auditor-Controller
City of Moreno Valley Finance Department

City of Moreno Valley
Direct and Overlapping Debt

| | |
|--|----------------------|
| Fiscal Year 2006/07 Assessed Valuation | \$11,400,969,085 |
| Redevelopment Incremental Valuation | <u>1,567,701,435</u> |
| Adjusted Assessed Valuation | \$12,968,670,520 |

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT</u> | Total Debt 6/30/2007 | % applicable | City's Share of Debt 6/30/07 |
|---|-------------------------|-----------------|---------------------------------|
| Metropolitan Water District | \$ 359,115,000 | 0.605% | \$ 2,172,646 |
| Eastern Municipal Water District I.D. No U-3 | 155,000 | 99.228 | 153,803 |
| Eastern Municipal Water District I.D. No U-13 | 641,000 | 100.000 | 641,000 |
| Eastern Municipal Water District I.D. No U-22 | 3,144,000 | 100.000 | 3,144,000 |
| Riverside Community College District | 150,616,109 | 16.660 | 25,092,644 |
| Moreno Valley Unified School District | 49,798,521 | 94.872 | 47,244,853 |
| San Jacinto Unified School District | 3,377,826 | 0.588 | 19,862 |
| Moreno Valley Unified School District Community Facilities District No. 88-1 | 15,835,000 | 100.000 | 15,835,000 |
| Moreno Valley Unified School District Community Facilities District No. 2002-1 | 8,625,000 | 100.000 | 8,625,000 |
| Moreno Valley Unified School District Community Facilities District No. 2003-1&2 | 11,020,000 | 100.000 | 11,020,000 |
| Moreno Valley Unified School District Community Facilities District No. 2004-1 | 3,150,000 | 100.000 | 3,150,000 |
| 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. 2004-3 | 4,000,000 | 100.000 | 4,000,000 |
| 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 |
| Moreno Valley Unified School District Community Facilities District No. 2005 2&3 | 15,495,000 | 100.000 | 15,495,000 |
| Val Verde Unified School District Community Facilities District No. 98-1 | 31,310,000 | 100.000 | 31,310,000 |
| Val Verde Unified School District Community Facilities District No. 2003-1 | 2,875,000 | 100.000 | 2,875,000 |
| Eastern Municipal Water District Community Facilities District | 13,275,000 | 100.000 | 13,275,000 |
| City of Moreno Valley 1915 Act Bonds | 1,215,000 | 100.000 | 1,215,000 |
| City of Moreno Valley Community Facilities District No. 3 | 4,970,000 | 100.000 | 4,970,000 |
| City of Moreno Valley Community Facilities District No. 87-1 and I.A. No. 1 | 16,445,000 | 100.000 | 16,445,000 |
| Riverside County Flood Control District 1915 Act Bonds | 160,000 | 100.000 | 160,000 |
| TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT | | | <u>\$ 245,358,807</u> |
| Less: Moreno Valley Community Facilities District No. 87-1 (100% self-supporting from tax increment revenues) | | | 12,510,000 |
| TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT | | | <u>\$ 232,848,807</u> |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Riverside County General Fund Obligations | 643,021,333 | 6.530% | 41,989,293 |
| Riverside County Pension Obligations | 392,890,000 | 6.53 | 25,655,717 |
| Riverside County Board of Education Certificates of Participation | 10,275,000 | 6.53 | 670,958 |
| Mt. San Jacinto Community College District General Fund Obligations | 7,310,000 | 0.021 | 1,535 |
| Moreno Valley Unified School District Certificates of Participation | 25,665,000 | 94.872 | 24,348,899 |
| San Jacinto Unified School District Certificates of Participation | 46,990,000 | 0.588 | 276,301 |
| Val Verde Unified School District Certificates of Participation | 119,770,000 | 43.521 | 52,125,102 |
| City of Moreno Valley General Fund Obligations | 84,350,000 | 100.000 | 84,350,000 ⁽¹⁾ |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$ 229,417,804</u> |
| Less: Riverside County self-supporting obligations | | | 1,213,369 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$ 228,204,435</u> |
| GROSS COMBINED TOTAL DEBT | | | \$ 474,776,612 ⁽²⁾ |
| NET COMBINED DEBT | | | \$ 461,053,243 |

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 2006-07 Assessed Valuation:

| | |
|---|-------|
| Total Gross Overlapping Tax and Assessment Debt | 2.15% |
| Total Net Overlapping Tax and Assessment Debt | 2.04% |

Ratios to Adjusted Assessed Valuation:

| | |
|-------------------------------------|-------|
| Combined Direct Debt (\$62,770,000) | 0.86% |
| Gross Combined Total Debt | 4.83% |
| Net Combined Total Debt | 4.69% |

State School Building Aid Repayable as of 6/30/07 \$ -

Source: California Municipal Statistics

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

Legal Debt Margin Calculation for Fiscal Year 2007

| | |
|--|--------------|
| Assessed Value | \$11,220,188 |
| Debt Limit (15% of assessed value) | 1,683,028 |
| 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 | | |
|--|--------------|--------------|--------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| Assessed Valuation (in thousands) | \$ 7,227,360 | \$ 9,075,495 | \$11,220,188 |
| Conversion percentage | 25% | 25% | 25% |
| Adjusted assessed valuation (in thousands) | \$ 1,806,840 | \$ 2,268,874 | \$ 2,805,047 |
| Debt limit percentage | 15% | 15% | 15% |
| Debt Limit (in thousands) | \$ 271,026 | \$ 340,331 | \$ 420,757 |
| Total net debt applicable to limit | \$ - | \$ - | \$ - |
| Legal debt margin (in thousands) | \$ 271,026 | \$ 340,331 | \$ 420,757 |
| 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 | | | | Business-type Activities | | Total Primary Government | Percentage of Personal Income | Debt per Capita |
|-----------------------------|-------------------------|----------------------------------|------------------------|--------------------|-----------------------------|------------------------|-----------------------------|----------------------------------|--------------------|
| | Special Tax Bonds | Certificates of Participation | Lease Revenue Bonds | Notes and Other | Governmental Activities | Lease Revenue Bonds | | | |
| 2005 | \$ 25,130,000 | \$ 7,625,000 | \$ 4,590,000 | \$ 4,660,558 | \$ 42,005,558 | \$ - | \$ 42,005,558 | 1.40% | \$ 254 |
| 2006 | 23,345,000 | 7,115,000 | 47,988,000 | 4,866,378 | \$ 83,314,378 | \$ 4,647,000 | \$ 87,961,378 | 2.77% | \$ 504 |
| 2007 | 21,415,000 | 6,590,000 | 47,393,000 | 4,696,689 | \$ 80,094,689 | \$ 30,367,000 | \$ 110,461,689 | 3.38% | \$ 612 |

Notes:

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

Source: City of Moreno Valley Finance Department
City of Moreno Valley Economic Development 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 | Governmental Activities | Assessed Value (1) | \$ |
| 2005 | \$ 25,130,000 | \$ 7,625,000 | \$ 4,590,000 | \$ 37,345,000 | 0.52% | 226 |
| 2006 | 23,345,000 | 7,115,000 | 47,988,000 | 78,448,000 | 0.86% | 449 |
| 2007 | 21,415,000 | 6,590,000 | 47,393,000 | 75,398,000 | 0.67% | 418 |

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
 Last three years

| Calendar Year | Population ¹ | Personal Income (in thousands) ² | Per Capita Personal Income ² | Unemployment Rate ² |
|---------------|-------------------------|---|---|--------------------------------|
| 2005 | 165,328 | 2,998,568 | 18,137 | 5.30% ^{3,A} |
| 2006 | 174,565 | 3,176,449 | 18,196 | 4.90% ^{3,A} |
| 2007 | 180,466 | 3,264,593 | 17,257 | 5.34% ^B |

Source: 1- Californai Department of Finance

2-City of Moreno Valley Economic Development Department

3-California Employment Development Department

A- This is data for the Riverside, San Bernardino, Ontario Metro area.

B- This data is for the Moreno Valley area.

City of Moreno Valley
Principal Employers
Current Year and Prior Year

| Employer | Sector | Business Type | 2007 | | 2006 | |
|--|------------------------|-----------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | | | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| March Air Reserve Base | Military/Public Sector | Military Reserve Base | 8,482 | 24.71% | 9,167 | 29.46% |
| Moreno Valley Unified School District | Public Sector | Public Schools | 3,519 | 10.25% | 3,447 | 11.08% |
| Riverside County Regional Medical Center | Medical Facilities | County Hospital | 1,700 | 4.95% | 2,000 | 6.43% |
| Moreno Valley Mall/General Growth | Retail | Retail Mall | 1,669 | 4.86% | 1,000 | 3.21% |
| Riverside Community College/Moreno Valley Campus | Public Sector | Higher Education | 1,038 | 3.02% | 515 | 1.65% |
| City of Moreno Valley/Police/Fire Depts | Public Sector | Municipal Government | 875 | 2.55% | 833 | 2.68% |
| Val Verde Unified School District (MV only) | Public Sector | Public Schools | 721 | 2.10% | 695 | 2.23% |
| Thor California | Manufacturing | R.V. Manufacturer | 704 | 2.05% | 691 | 2.22% |
| Walgreens Company | Distribution | Retail Merchandise | 650 | 1.89% | 600 | 1.93% |
| Ross Dress for Less | Distribution | Retail Merchandise | 600 | 1.75% | - | - |

Note: Employee count data by major employer was not available for periods prior to FY 06

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

Source: City of Moreno Valley Economic Development Department

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

| Function | Fiscal Year | | |
|------------------------------|-------------|------------|------------|
| | 2005 | 2006 | 2007 |
| General Government | 140 | 139 | 153 |
| Public Works | 106 | 114 | 123 |
| Community Development | 56 | 70 | 67 |
| Parks and Community Services | 91 | 104 | 108 |
| Animal Services | 19 | 22 | 24 |
| Redevelopment Agency | 18 | 14 | 14 |
| Public Safety (1) | 265 | 282 | 302 |
| Total | <u>695</u> | <u>745</u> | <u>790</u> |

This data represents a count of people employed by the City not the number of approved full time equivalents.

(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
 Capital Asset Statistics
 Last Three Fiscal Years

| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|-------------|-------------|-------------|
| Lane miles of streets | - | 1,081 | 1,127 |
| Number of street lights | 9,771 | 10,041 | 10,710 |
| Number of traffic signals | 126 | 138 | 148 |
| Fire protection: | | | |
| Number of stations | 6 | 6 | 6 |
| Police protection: | | | |
| Number of neighborhood policing/report writing stations | 3 | 3 | 3 |
| Recreation and culture: | | | |
| Parks | 29 | 32 | 36 |
| Maintained acreage of parks | 353 | 377 | 519.94 |
| Parks under construction | 2 | 1 | 6 |
| Acreage of parks under construction | 24 | 1.3 | 19.97 |
| Multi-use athletic fields | 21 | 21 | 21 |
| Conference/Recreation centers | 1 | 1 | 1 |
| Square footage of recreation centers | 42,413 | 42,413 | 42,413 |
| Senior Centers | 1 | 1 | 1 |
| Square footage of senior centers | 14,700 | 14,700 | 14,700 |
| Equestrian centers | 1 | 1 | 1 |
| Maintained acreage of equestrian centers | 45 | 45 | 45 |
| Multi-use equestrian trails maintained | 7 Miles | 8 Miles | 10 Miles |
| Community centers | 4 | 4 | 4 |
| Square footage of community centers | 38,758 | 38,758 | 38,758 |
| Sports courts | 44 | 44 | 44 |
| Skate parks/Roller hockey rinks | 1 | 1 | 1 |
| Square footage of skate parks | 850 | 850 | 850 |
| Nine-hole golf courses | 1 | 1 | 1 |
| Play apparatus | 23 | 23 | 23 |
| Water play features | 2 | 2 | 2 |
| Utilities: | | | |
| Residential utility meters | 1,807 | 3,327 | 4,229 |
| Commercial utility meters | 67 | 279 | 383 |

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

| | 2005 | 2006 | 2007 |
|--|--------|--------|---------|
| Square mileage of area | 50 | 50 | 51 |
| Fire protection: | | | |
| Provided by the County of Riverside in cooperation with the State Department of Forestry and Fire: | | | |
| Sworn personnel | 71 | 73 | 70 |
| Volunteers | 50 | 30 | 30 |
| Non-sworn personnel | 7 | 7 | 11 |
| Responses to emergency calls | 12,162 | 12,155 | 12,525 |
| Inspections and Permits | 5,358 | 5,257 | 4,834 |
| Plan checks | 1,647 | 1,442 | 1,445 |
| School life safety inspections | 2 | 13 | 74 |
| Counter/Public inquires | 2,456 | 5,172 | 8,264 |
| Police protection: | | | |
| Provided through contract with the County of Riverside Sheriff's Department: | | | |
| Sworn officers | 147 | 162 | 174 |
| Classified personnel | 45.5 | 47.5 | 49.5 |
| City support personnel | 3.0 | 3.5 | 3.5 |
| Volunteers | 99 | 30 | 25 |
| Responses to Calls: | | | |
| Priority 1 | 391 | 579 | 891 |
| Priority 1A | 949 | 1,095 | 1,210 |
| Priority 2 | 23,662 | 24,774 | 25,046 |
| Priority 3 | 24,673 | 23,613 | 25,295 |
| Priority 4 | 15,311 | 16,869 | 17,304 |
| Priority 5 | 103 | 38 | 276 |
| Priority 6 | 0 | 0 | 0 |
| Priority 7 | 0 | 0 | 0 |
| Priority 8 | 0 | 0 | 0 |
| Priority 9 | 25 | 10 | 76 |
| Cancelled | 6,185 | 5,628 | 6,826 |
| Disp/ Arr Time Missing | 8,146 | 7,836 | 9,841 |
| Same Disp/ Arr Time | 40,920 | 39,857 | 49,490 |
| T. R. U. Calls | 44 | 22 | 54 |
| Building and Safety: | | | |
| Building permits issued | 4,999 | 4,608 | 3,363 |
| Counter requests for service | 13,426 | 14,289 | 12,276 |
| Planning: | | | |
| Planning applications processed | 1,840 | 1,440 | 1,261 |
| Counter requests for service | 8,696 | 10,191 | 8,639 |
| Recreation and culture: | | | |
| Rounds of golf played | 17,027 | 17,453 | 14,008 |
| Facility rentals | 1,438 | 2,148 | 13,024 |
| Participants in recreation programs (See Note 1) | 34,479 | 48,027 | - |
| Participants in recreation programs (See Note 2) | - | - | 256,023 |
| Utilities: | | | |
| Average residential daily consumption (kilowatt hours) | 11.5 | 14.4 | 19.2 |
| Average commercial daily consumption (kilowatt hours) | 61.1 | 219.1 | 396.0 |
| New residential connections | 1,753 | 1,620 | 1,033 |
| New commercial connections | 64 | 215 | 78 |
| Employees: | | | |
| Members of City Council | 5 | 5 | 5 |
| Members of the Planning Commission | 7 | 7 | 7 |
| Full-time career status (FTE) | 325 | 360 | 388 |
| Part-time career status (FTE) | 18 | 16 | 15 |

Note 1: In previous years the measurement of participants in recreation programs was measured as a count of individual participants. If a participant registered for more than one class or event they only accounted for one in the count.

Note 2: Beginning in FY 2007 the number of participants in recreation programs is measured by the number of enrollments in classes or events. If one participant enrolls in more than one class or event then the count will reflect one for each class or event registered in.

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

FINANCIAL AND COMPLIANCE REPORT

**YEAR ENDED JUNE 30, 2007
(With Independent Auditors' Report Thereon)**

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

FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|------------------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements: | |
| Exhibit A – Statement of Net Assets | 3 |
| Exhibit B – Statement of Activities | 4 |
| Fund Financial Statements: | |
| Exhibit C – Balance Sheet – Governmental Funds | 5 |
| Exhibit D – Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 6 |
| Exhibit E – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 7 |
| Exhibit F – Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 8 |
| Notes to the Basic Financial Statements | 9 |
| COMBINING AND INDIVIDUAL FUND SCHEDULES | |
| Schedule 1 – Combining Project Area Balance Sheet | 21 |
| Schedule 2 – Combining Project Area Statement of Revenues, Expenditures and Changes in Fund Balances | 22 |
| Schedule 3 – Computation of Low and Moderate Income Housing Funds Excess/Surplus | 23 |
| Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 24 |

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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, 2007, 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, 2007, 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 December 20, 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 McCann P.C.

Irvine, California
December 20, 2007

REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

STATEMENT OF NET ASSETS

JUNE 30, 2007

| | <u>Governmental Activities</u> | |
|---|--------------------------------|-----------------------------|
| Assets: | | |
| Cash and investments (note 3) | | \$ 19,156,363 |
| Receivables: | | |
| Accounts | \$ 200,368 | |
| Interest | 100,926 | |
| Loans (note 4) | <u>8,279,629</u> | |
| Total receivables | | 8,580,923 |
| Due from other governments | | 202,929 |
| Due from City of Moreno Valley | | 4,500 |
| Prepaid expenses | | 260 |
| Advances to the City of Moreno Valley | | 313,499 |
| Capital assets not being depreciated (note 5): | | 7,179,757 |
| Depreciable capital assets, net of accumulated depreciation (note 5) | | <u>12,582,128</u> |
| Total Assets | | <u>48,020,359</u> |
| Liabilities: | | |
| Accounts payable and accrued expenses | | 182,525 |
| Due to City of Moreno Valley | | 4,592 |
| Due to other governments | | 1,544,918 |
| Other current liabilities | | 109,068 |
| Long-term liabilities (note 6): | | |
| Due within one year | 340,259 | |
| Due in more than one year | <u>33,028,576</u> | |
| Total long-term liabilities | | <u>33,368,835</u> |
| Total Liabilities | | <u>35,209,938</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | | 6,055,830 |
| Restricted for: | | |
| Low & Moderate Housing | | 18,752,207 |
| Unrestricted (deficit) | | <u>(11,997,616)</u> |
| Total Net Assets | | <u>\$ 12,810,421</u> |

See Notes to the Basic Financial Statements

REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

| 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 | |
| Governmental Activities: | | | | | |
| General government | \$ 1,855,745 | \$ - | \$ - | \$ - | \$ (1,855,745) |
| Community development | 900,873 | - | - | - | (900,873) |
| Interest on long-term debt | 2,558,698 | - | - | - | (2,558,698) |
| Total Governmental Activities | \$ 5,315,316 | \$ - | \$ - | \$ - | (5,315,316) |
| General Revenues: | | | | | |
| Taxes (net of pass-through payments) | | | | | 9,593,840 |
| Intergovernmental | | | | | 142,552 |
| Use of money and property | | | | | 1,047,775 |
| Miscellaneous revenue | | | | | 1,386 |
| Total General Revenues | | | | | 10,785,553 |
| Transfers to City of Moreno Valley | | | | | (2,844,549) |
| Change in Net Assets | | | | | 2,625,688 |
| Net assets at beginning of year | | | | | 8,233,706 |
| Restatement of net assets (note 8) | | | | | 1,951,027 |
| Net Assets at End of Year | | | | | \$ 12,810,421 |

See Notes to the Basic Financial Statements

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

JUNE 30, 2007

| | <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> | |
| Assets: | | | |
| Cash and investments | \$ 8,652,313 | \$ 10,504,050 | \$ 19,156,363 |
| Receivables: | | | |
| Accounts | 142,552 | 57,816 | 200,368 |
| Interest | - | 100,926 | 100,926 |
| Loans | - | 8,279,629 | 8,279,629 |
| Due from City | 4,500 | - | 4,500 |
| Due from other governments | 202,929 | - | 202,929 |
| Prepaid expenses | 260 | - | 260 |
| Advances to City | 313,499 | - | 313,499 |
| | <u>\$ 9,316,053</u> | <u>\$ 18,942,421</u> | <u>\$ 28,258,474</u> |
| Total Assets | | | |
| | <u>\$ 9,316,053</u> | <u>\$ 18,942,421</u> | <u>\$ 28,258,474</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 53,426 | \$ 129,099 | \$ 182,525 |
| Due to City | 4,592 | - | 4,592 |
| Due to other governments | 1,544,918 | - | 1,544,918 |
| Deferred revenue | - | 100,926 | 100,926 |
| Accrued payroll | 47,953 | 61,115 | 109,068 |
| | <u>1,650,889</u> | <u>291,140</u> | <u>1,942,029</u> |
| Total Liabilities | | | |
| | <u>1,650,889</u> | <u>291,140</u> | <u>1,942,029</u> |
| Fund Balances: | | | |
| Reserved: | | | |
| Encumbrances | 70,336 | 5,146,946 | 5,217,282 |
| Long Term Receivables | 260 | - | 260 |
| Long Term Receivables | - | 8,279,629 | 8,279,629 |
| Advances to City | 313,499 | - | 313,499 |
| Unreserved: | | | |
| Designated: | | | |
| Continuing Projects | 1,172,907 | 5,224,706 | 6,397,613 |
| Undesignated | 6,108,162 | - | 6,108,162 |
| | <u>7,665,164</u> | <u>18,651,281</u> | <u>26,316,445</u> |
| Total Fund Balances | | | |
| | <u>7,665,164</u> | <u>18,651,281</u> | <u>26,316,445</u> |
| Total Liabilities and Fund Balances | <u>\$ 9,316,053</u> | <u>\$ 18,942,421</u> | <u>\$ 28,258,474</u> |

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, 2007

| | |
|-------------------------------------|---------------|
| Fund balances of governmental funds | \$ 26,316,445 |
|-------------------------------------|---------------|

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.

| | |
|--------------------------|-------------|
| Capital Assets | 20,876,662 |
| Accumulated Depreciation | (1,114,777) |

Deferred revenue is presented in governmental fund financial statements to indicate that receivables are not available currently; however, in the Statement of Net Assets these deferrals are eliminated.

100,926

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

| | |
|-----------------|---------------------|
| Developer loans | (2,610,806) |
| Loans from City | <u>(30,758,029)</u> |

| | |
|--|-----------------------------|
| Net assets of governmental activities | <u>\$ 12,810,421</u> |
|--|-----------------------------|

**REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

| | <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> | |
| Revenues: | | | |
| Taxes and assessments | \$ 15,053,016 | \$ 3,506,618 | \$ 18,559,634 |
| Use of money and property | 519,890 | 491,521 | 1,011,411 |
| Intergovernmental | 142,552 | - | 142,552 |
| Other revenue | - | 1,387 | 1,387 |
| Total Revenues | <u>15,715,458</u> | <u>3,999,526</u> | <u>19,714,984</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 988,557 | 867,188 | 1,855,745 |
| Community development | 316,399 | 3,189 | 319,588 |
| Debt service: | | | |
| Interest expense | 1,988,316 | - | 1,988,316 |
| Long-term debt repayments | 200,000 | - | 200,000 |
| Total Expenditures | <u>3,493,272</u> | <u>870,377</u> | <u>4,363,649</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>12,222,186</u> | <u>3,129,149</u> | <u>15,351,335</u> |
| Other Financing Sources (Uses): | | | |
| Proceeds from advances | 518,520 | - | 518,520 |
| Transfers to City | (2,844,549) | - | (2,844,549) |
| Pass-through agreement payments | (8,965,794) | - | (8,965,794) |
| Total Other Financing Sources (Uses) | <u>(11,291,823)</u> | <u>-</u> | <u>(11,291,823)</u> |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>\$ 930,363</u> | <u>\$ 3,129,149</u> | <u>\$ 4,059,512</u> |
| Fund Balances: | | | |
| Beginning of Year, as restated | \$ 6,734,801 | \$ 15,522,132 | \$ 22,256,933 |
| Net Change in Fund Balances | <u>930,363</u> | <u>3,129,149</u> | <u>4,059,512</u> |
| End of Year | <u>\$ 7,665,164</u> | <u>\$ 18,651,281</u> | <u>\$ 26,316,445</u> |

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, 2007**

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 4,059,512 |
|--|----|-----------|

Amounts reported for governmental activities in the Statement of Activities differ from the amounts reported in the statement of activities because:

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect

| | | |
|---------------------------|--|-----------|
| Proceeds from advances | | (518,520) |
| Long-term debt repayments | | 200,000 |

Accrued interest expense on long-term debt is reported on the government-wide statements, but does not require the use of current financial resources; therefore, accrued interest is not reported as expenditures in the fund financial statements.

| | | |
|--|--|-----------|
| Change in accrued interest on long-term debt | | (570,382) |
|--|--|-----------|

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.

| | | |
|--|--|-----------|
| | | (581,285) |
|--|--|-----------|

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>36,363</u> |
|--|--|---------------|

| | | |
|---|-----------|-------------------------|
| Changes in net assets of governmental activities | \$ | <u>2,625,688</u> |
|---|-----------|-------------------------|

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

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)

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 |

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

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

5. Deferred Revenue

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

6. Long-Term Obligations

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

7. Fund Equity

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

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

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

Reported budget amounts represent the original legally adopted budget as amended. The City Council, acting as the Agency Board, may 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 XIII B of the State Constitution.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the governmental fund types, unexpended budgeted amounts, except for amounts relating to capital projects, lapse at the end of the budget year. Spending control for most funds is established by the amount of expenditures budgeted for each department within the fund, but management control is exercised at budgetary line item levels within the departments. Management can transfer budgeted amounts between 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).

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

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>\$19,156,363</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.

Note 4: Loans Receivable

Loans receivable of \$8,279,629 consist primarily of loans and advances to developers for various projects.

A summary of amounts owed to the Agency at June 30, 2007 follows:

| | |
|-----------------------|---------------------|
| Cottonwood Properties | \$ 3,974,128 |
| RHDC Properties | 1,587,696 |
| CVHC | 1,639,450 |
| Crippled Children | 824,917 |
| Others | <u>253,438</u> |
| Total | <u>\$ 8,279,629</u> |

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

Note 5: Capital Assets

A summary of changes in general capital assets follows:

| | Balance at 7/1/06 | Adjustment s | Adjusted Balance at 7/1/06 | Additions | Deletions | Balances 06/30/07 |
|---------------------------------------|----------------------|-----------------|----------------------------------|-----------|-----------|----------------------|
| Non- depreciable assets | | | | | | |
| Land | 7,179,757 | - | 7,179,757 | - | - | 7,179,757 |
| Construction in progress | - | 24,680 | 24,680 | - | (24,680) | - |
| Subtotal - non- depreciable assets | 7,179,757 | 24,680 | 7,204,437 | - | (24,680) | 7,179,757 |
| Depreciable assets | | | | | | |
| Buildings and improvements | 11,503,946 | 663,211 | 12,167,157 | 24,680 | - | 12,191,837 |
| Furniture and equipment | - | 352,837 | 352,837 | - | - | 352,837 |
| Infrastructure | - | 1,152,231 | 1,152,231 | - | - | 1,152,231 |
| Subtotal - depreciable assets | 11,503,946 | 2,168,279 | 13,672,225 | 24,680 | - | 13,696,905 |
| Total capital assets | 18,683,703 | 2,192,959 | 20,876,662 | 24,680 | (24,680) | 20,876,662 |
| Accumulated Depreciation: | | | | | | |
| Buildings and improvements | - | (486,686) | (486,686) | (487,673) | - | (974,359) |
| Furniture and equipment | - | (35,284) | (35,284) | (70,567) | - | (105,851) |
| Infrastructure | - | (11,522) | (11,522) | (23,045) | - | (34,567) |
| Total accumulated depreciation | - | (533,492) | (533,492) | (581,285) | - | (1,114,777) |
| Total net capital assets | 18,683,703 | 1,659,467 | 20,343,170 | (556,605) | (24,680) | 19,761,885 |

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

Note 6: Long-Term Liabilities

- a. A description of the Agency's long-term liabilities outstanding as of June 30, 2007 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, 2007, accrued interest amounted to \$148,675.

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

Long-Term Liabilities to the City of Moreno Valley:

The Towngate Regional Mall notes (Sears Note), totaling \$13,000,000, originated from a participation agreement (as amended) whereby the Agency acquired certain parcels within the mall for subsequent transfer to major tenants. The notes bear interest of 7.25% and are payable solely from available site-generated property tax increment and up to 50% of site-generated sales tax. Furthermore, the Agency had covenanted to use reasonable best efforts to refinance these notes with Tax Allocation Bonds, provided such financing is determined to be fiscally feasible. At June 30, 2007, accrued interest amounted to \$3,466,377. During 2003-2004, the City purchased the rights to the notes from the holder. These amounts are now payable to the City and were previously reported in the Project Fund and are now reported as a long-term liability in the government-wide financial statements.

In 2005, the Agency purchased improved property from the City – the Conference and Recreation Center. The purchase price was \$14,203,946. The loan note was \$11,503,946 after the initial payment of \$2,700,000. A subsequent principal payment of \$29,124 was made in 2004-2005. The term is 20 years with 12% simple interest. The Agency will make partial interest only annual payments with a balloon payment due at the end of the term. At June 30, 2007, the outstanding principal and accrued interest balances are \$11,474,822 and \$2,231,233, respectively.

The Agency owes the City a total of \$585,597 in future sales tax revenue for funds borrowed to entice department stores to purchase parcels located at the TownGate Regional Mall. \$67,077 represents remaining monies borrowed in prior fiscal years by the Agency to finance redevelopment activities. \$518,520 represents monies re-borrowed during 2006/07 by the Agency for the same purpose. The interest rate on the re-borrowings is 12% and repayment of the long-term payable is made when funds become available.

A summary of amounts owed to the City at June 30, 2007 follows:

| <u>Borrowing Purpose</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------------|---------------------|--------------------|
| Sears | \$13,000,000 | \$3,466,377 |
| Recreation Center | 11,474,822 | 2,231,233 |
| TownGate Mall | 585,597 | - |
| Total | <u>\$25,060,419</u> | <u>\$5,697,610</u> |

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

Note 7: Commitments and Contingencies

b. The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2007:

| | Balance July 1, 2007 | Additions | Repayments | Balance June 30, 2007 | Due Within One Year |
|--------------------------------|-------------------------|--------------------|--------------------|--------------------------|------------------------|
| City Loans -- Principal | \$24,741,899 | \$ 518,520 | \$ 200,000 | \$25,060,419 | \$ 67,077 |
| City Loans -- Unpaid Interest | 4,919,097 | 2,319,479 | 1,540,966 | 5,697,610 | 273,182 |
| Price Company Note | 2,462,131 | - | - | 2,462,131 | - |
| Price Company matured interest | <u>356,806</u> | <u>225,515</u> | <u>433,646</u> | <u>148,675</u> | <u>-</u> |
| Total Long-Term debt | <u>\$32,479,933</u> | <u>\$3,063,514</u> | <u>\$2,174,612</u> | <u>\$33,368,835</u> | <u>\$ 340,259</u> |

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

Riverside County Agreement

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

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

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

Beginning in 2004-2005 the Agency's tax increment exceeded \$12 million. The County deducts its proportionate share from the Agency's remittances. The amount retained by the County is included in Other Financing Sources – Pass Through Agreement Payments in the financial statements. An additional amount of \$1,544,918 was not remitted to the County and has been included in Due to Other Governments.

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

Note 7: Commitments and Contingencies (Continued)

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 \$1,124,995.

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.

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.

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

Note 8: Restatement to Beginning Net Assets

During the year ended June 30, 2007, the Agency discovered that the Loan Receivable from the Coachella Valley Housing Coalition and Cottonwood Properties, \$274,649 and \$16,911, respectively, had not been recorded in the prior year. To correct this oversight, an adjustment was made to increase the Community Redevelopment Agency's net assets at the beginning of the fiscal year. Certain capital assets and depreciation were not being properly reported in the prior year. To correct this oversight, an adjustment was made to increase capital assets.

| | <u>Government-Wide</u> | <u>Low and Moderate Housing</u> |
|--|------------------------|-------------------------------------|
| Net assets at beginning of year, as previously reported | \$ 8,233,706 | \$ 15,230,572 |
| Adjustment to record accrual of loan receivable in prior year | 291,560 | 291,560 |
| Adjustment to record capital assets and depreciation | <u>1,659,467</u> | <u>-</u> |
| Net assets at beginning of year, as restated | <u>\$10,184,733</u> | <u>\$ 15,522,132</u> |

Note 9: Subsequent Events

2007 Tax Allocation Bonds, Series A, in the original issue amount of \$43,495,000 were issued for the purpose of financing various redevelopment activities and other undertakings permitted under the Redevelopment Law, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial and term fashion through August 1, 2038 and bear interest ranging from 3.5% to 4.625%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on August 1, 2017. The bonds are payable solely from Tax Revenues and other funds and amounts pledged therefore pursuant to the Indenture. This issue is fully insured in the event of nonpayment by the Agency.

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

REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

COMBINING PROJECT AREA BALANCE SHEET

JUNE 30, 2007

| | <u>Moreno Valley Redevelopment Project</u> | | <u>TOTAL</u> |
|--|--|---|----------------------|
| | <u>Capital Projects</u> | | |
| | <u>Project</u> | <u>Low and Moderate Housing</u> | |
| ASSETS | | | |
| Cash and investments | \$ 8,652,313 | \$ 10,504,050 | \$ 19,156,363 |
| Receivables: | | | |
| Accounts | 142,552 | 57,816 | 200,368 |
| Interest | - | 100,926 | 100,926 |
| Loans | - | 8,279,629 | 8,279,629 |
| Due from City | 4,500 | - | 4,500 |
| Due from other governments | 202,929 | - | 202,929 |
| Prepaid expenses | 260 | - | 260 |
| Advances to City | 313,499 | - | 313,499 |
| | <u>\$ 9,316,053</u> | <u>\$ 18,942,421</u> | <u>\$ 28,258,474</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 53,426 | \$ 129,099 | \$ 182,525 |
| Due to City | 4,592 | - | 4,592 |
| Due to other governments | 1,544,918 | - | 1,544,918 |
| Deferred revenue | - | 100,926 | 100,926 |
| Accrued payroll | 47,953 | 61,115 | 109,068 |
| | <u>1,650,889</u> | <u>291,140</u> | <u>1,942,029</u> |
| Fund Balances: | | | |
| Reserved: | | | |
| Encumbrances | 70,336 | 5,146,946 | 5,217,282 |
| Prepaid expenses | 260 | - | 260 |
| Long Term Receivables | - | 8,279,629 | 8,279,629 |
| Advances to City | 313,499 | - | 313,499 |
| Unreserved: | | | |
| Designated: | | | |
| Continuing projects | 1,172,907 | 5,224,706 | 6,397,613 |
| Undesignated | 6,108,162 | - | 6,108,162 |
| | <u>7,665,164</u> | <u>18,651,281</u> | <u>26,316,445</u> |
| Total Fund Balances | <u>\$ 9,316,053</u> | <u>\$ 18,942,421</u> | <u>\$ 28,258,474</u> |
| Total Liabilities and Fund Balances | <u>\$ 9,316,053</u> | <u>\$ 18,942,421</u> | <u>\$ 28,258,474</u> |

REDEVELOPMENT AGENCY OF THE CITY OF MORENO VALLEY

COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2007

| | Moreno Valley Redevelopment Project | | TOTAL Capital Projects Funds |
|--|--|--------------------------------|---------------------------------------|
| | Capital Projects | | |
| | Project | Low and Moderate Housing | |
| Revenues: | | | |
| Taxes and Assessments: | | | |
| Tax increment | \$ 14,026,472 | \$ 3,506,618 | \$ 17,533,090 |
| Sales and use tax | 1,026,544 | - | 1,026,544 |
| Use of Money and Property: | | | |
| Interest income | 519,890 | 372,308 | 892,198 |
| Sale of property | - | 119,213 | 119,213 |
| Other Revenue: | | | |
| State grant revenue | 142,552 | - | 142,552 |
| Miscellaneous revenue | - | 1,387 | 1,387 |
| Total Revenues | 15,715,458 | 3,999,526 | 19,714,984 |
| Expenditures: | | | |
| Current: | | | |
| General Government: | | | |
| Administrative costs | 909,314 | 792,291 | 1,701,605 |
| Professional services | 79,243 | 74,897 | 154,140 |
| Community Development: | | | |
| Project improvement costs | 316,399 | 3,189 | 319,588 |
| Debt Service: | | | |
| Interest expense | 1,988,316 | - | 1,988,316 |
| Principal Retirement | 200,000 | - | 200,000 |
| Total Expenditures | 3,493,272 | 870,377 | 4,363,649 |
| Excess of Revenues over (under) Expenditures | 12,222,186 | 3,129,149 | 15,351,335 |
| Other Financing Sources (Uses) | | | |
| Proceeds from advances | 518,520 | - | 518,520 |
| Transfers to City | (2,844,549) | - | (2,844,549) |
| Pass through agreement payments | (8,965,794) | - | (8,965,794) |
| Total Other Financing Sources (Uses) | (11,291,823) | - | (11,291,823) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 930,363 | 3,129,149 | 4,059,512 |
| Fund Balances | | | |
| Beginning of Year, as restated | 6,734,801 | 15,522,132 | 22,256,933 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 930,363 | 3,129,149 | 4,059,512 |
| End of Year | \$ 7,665,164 | \$ 18,651,281 | \$ 26,316,445 |

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, 2006 | Low and Moderate Housing Funds - All Project Areas July 1, 2007 |
|---|---|---|
| Opening Fund Balance | \$ 15,230,572 | \$ 18,651,281 |
| Less Unavailable Amounts: | | |
| Encumbrances (Section 33334.12 (g)(2)) | (4,775,939) | (5,146,946) |
| Rehabilitation loans | <u>(6,372,376)</u> | <u>(8,279,629)</u> |
| | <u>(11,148,315)</u> | <u>(13,426,575)</u> |
| Available Low and Moderate Income Housing Funds | 4,082,257 | 5,224,706 |
| Limitation (greater of \$1,000,000 or four years set-aside) | | |
| Set-Aside for last four years: | | |
| 2006 - 2007 | - | 3,506,618 |
| 2005 - 2006 | 2,673,192 | 2,673,192 |
| 2004 - 2005 | 1,943,785 | 1,943,785 |
| 2003 - 2004 | 1,500,061 | 1,500,061 |
| 2002 - 2003 | <u>1,215,574</u> | <u>-</u> |
| Total | <u>\$ 7,332,612</u> | <u>\$ 9,623,656</u> |
| Base Limitation | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> |
| Greater amount | <u>7,332,612</u> | <u>9,623,656</u> |
| Computed Excess/Surplus | <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 governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Moreno Valley ("Agency") as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 20, 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 Agency's financial statements 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability

to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

We noted certain matters we reported to the management of the City of Moreno Valley in a separate letter dated December 20, 2007.

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.

Mayor Hoffman McCann R.C.

Irvine, California
December 20, 2007

**COMMUNITY SERVICES DISTRICT OF THE
CITY OF MORENO VALLEY, CALIFORNIA**

FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2007
(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, 2007

TABLE OF CONTENTS

| | <u>Page Number</u> |
|---|------------------------|
| FINANCIAL SECTION | |
| Independent Auditors' Report | 1 |
| Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 3 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 5 |
| Statement of Activities | 6 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 7 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 9 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 10 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 12 |

COMMUNITY SERVICES DISTRICT OF THE
CITY OF MORENO VALLEY

FINANCIAL STATEMENTS

(Continued)

TABLE OF CONTENTS, (Continued)

| | <u>Page Number</u> |
|---|------------------------|
| Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: | |
| 1. Zone A Parks and Community Services | 13 |
| 2. Zone B Residential Street Lights Administration | 14 |
| 3. Zone E Extensive Landscaping Administration | 15 |
| 4. Zone L Library Service Fund | 16 |
| Notes to Financial Statements | 17 |
| SUPPLEMENTARY INFORMATION | |
| Combining Balance Sheet – Non-major Governmental Funds | 24 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds | 26 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: | |
| A. Zone C Arterial Street Lights Administration | 28 |
| B. Zone D Standard Landscaping Administration | 29 |
| C. Zone M Median Fund | 30 |
| D. CFD #1 Fund | 31 |



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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, 2007, 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, 2007, and the respective changes in financial position and the respective budgetary comparison information for the major 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 December 20, 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.

Mayor Hoffman McCann A.C.

Irvine, California
December 20, 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 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, 2007, which collectively comprise the District's financial statements and have issued our report thereon dated December 20, 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's

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

financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

We noted certain matters we reported to the management of the City of Moreno Valley in a separate letter dated December 20, 2007.

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

Mayor Hoffman McCann A.C.

Irvine, California
December 20, 2007

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

STATEMENT OF NET ASSETS
JUNE 30, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets: | |
| Cash and investments (note 2) | \$ 7,604,121 |
| Receivables: | |
| Accounts | 213,187 |
| Prepaid Costs | 1,235 |
| Due from other governments | 1,985,613 |
| Due from the City of Moreno Valley | 230,766 |
| Capital assets, net of accumulated depreciation: (note 3) | <u>25,427,508</u> |
| Total Assets | <u><u>\$ 35,462,430</u></u> |
| | |
| Liabilities: | |
| Accounts payable | \$ 794,371 |
| Accrued liabilities | 616,801 |
| Due to other governments | 8 |
| Unearned revenue | 231,374 |
| Deposits payable | <u>118,832</u> |
| Total Liabilities | <u>1,761,386</u> |
| | |
| Net Assets: | |
| Investment in capital assets | 25,427,508 |
| Restricted for special zones | <u>8,273,536</u> |
| Total Net Assets | <u><u>\$ 33,701,044</u></u> |

See Notes to Financial Statements

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

| | <u>Program Revenues</u> | | | | <u>Net (Expense)</u> |
|--|-------------------------|----------------------|----------------------|----------------------|-----------------------------|
| | | <u>Operating</u> | <u>Capital</u> | | <u>Revenue and</u> |
| | <u>Expenses</u> | <u>Charges for</u> | <u>Contributions</u> | <u>Contributions</u> | <u>Changes in</u> |
| | | <u>Services</u> | <u>and Grants</u> | <u>and Grants</u> | <u>Net Assets</u> |
| | | | | | <u>Total</u> |
| Governmental activities: | | | | | |
| Community and cultural | \$ 17,905,821 | \$ 10,876,578 | \$ 100,777 | \$ - | \$ (6,928,466) |
| Total governmental activities | \$ 17,905,821 | \$ 10,876,578 | \$ 100,777 | \$ - | (6,928,466) |
| | | | | | |
| General Revenues and Transfers: | | | | | |
| Property taxes | | | | | 4,257,285 |
| Property taxes in lieu | | | | | 724,411 |
| Fines and forfeiture | | | | | 23,816 |
| Use of money and property | | | | | 379,999 |
| Miscellaneous | | | | | 197,779 |
| Transfers from the City of Moreno Valley | | | | | 423,311 |
| | | | | | <u>6,006,601</u> |
| | | | | | (921,865) |
| | | | | | <u>34,622,909</u> |
| | | | | | <u>\$ 33,701,044</u> |

See Notes to Financial Statements.

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COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

| | <u>Special Revenue Funds</u> | |
|---|---|---|
| | <u>Zone A</u> | <u>Zone B</u> |
| | <u>Parks and Community Services</u> | <u>Residential Street Lights Administration</u> |
| Assets: | | |
| Cash and investments | \$ 977,051 | \$ 979,964 |
| Receivables: | | |
| Accounts | 207,554 | - |
| Prepaid costs | 848 | - |
| Due from other governments | 1,030,309 | 157,432 |
| Due from the City of Moreno Valley | 230,766 | - |
| | <u>2,446,528</u> | <u>1,137,396</u> |
| Total Assets | \$ 2,446,528 | \$ 1,137,396 |
| Liabilities and Fund Balances: | | |
| Liabilities: | | |
| Accounts payable | \$ 319,699 | \$ 81,518 |
| Accrued liabilities | 369,183 | 14,677 |
| Deferred revenue | 231,374 | - |
| Deposits payable | 118,832 | - |
| Due to other governments | 8 | - |
| | <u>1,039,096</u> | <u>96,195</u> |
| Total Liabilities | 1,039,096 | 96,195 |
| Fund Balances: | | |
| Reserved: | | |
| Reserved for encumbrances | 109,662 | 69 |
| Reserved for encumbrances | 848 | - |
| Unreserved: | | |
| Designated for continuing appropriations | 151,202 | 51,612 |
| Designated for contingencies | 1,041,231 | - |
| Designated for capital improvement projects | - | 860,585 |
| Undesignated | 104,489 | 128,935 |
| | <u>1,407,432</u> | <u>1,041,201</u> |
| Total Fund Balances | 1,407,432 | 1,041,201 |
| Total Liabilities and Fund Balances | \$ 2,446,528 | \$ 1,137,396 |

See Notes to Financial Statements.

| <u>Zone E</u> <u>Extensive</u> <u>Landscaping</u> <u>Administration</u> | <u>Zone L</u> <u>Library</u> <u>Service Fund</u> | <u>Non-major</u> <u>Governmental</u> <u>Funds</u> | <u>Totals</u> |
|--|--|---|----------------------|
| \$ 3,976,619 | \$ 53,741 | \$ 1,616,746 | \$ 7,604,121 |
| 570 | 1,544 | 3,519 | 213,187 |
| 274 | - | 113 | 1,235 |
| 273,406 | 252,175 | 272,291 | 1,985,613 |
| - | - | - | 230,766 |
| <u>\$ 4,250,869</u> | <u>\$ 307,460</u> | <u>\$ 1,892,669</u> | <u>\$ 10,034,922</u> |
| \$ 152,780 | \$ 85,574 | \$ 154,800 | \$ 794,371 |
| 69,081 | 113,416 | 50,444 | 616,801 |
| - | - | - | 231,374 |
| - | - | - | 118,832 |
| - | - | - | 8 |
| <u>221,861</u> | <u>198,990</u> | <u>205,244</u> | <u>1,761,386</u> |
| 32,761 | - | 313 | 142,805 |
| 274 | - | 113 | 1,235 |
| 402,492 | - | 421,962 | 1,027,268 |
| - | - | - | 1,041,231 |
| 2,799,332 | - | 521,494 | 4,181,411 |
| 794,149 | 108,470 | 743,543 | 1,879,586 |
| <u>4,029,008</u> | <u>108,470</u> | <u>1,687,425</u> | <u>8,273,536</u> |
| <u>\$ 4,250,869</u> | <u>\$ 307,460</u> | <u>\$ 1,892,669</u> | <u>\$ 10,034,922</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, 2007

| | |
|--|------------------------------------|
| Fund balances of governmental funds | \$ 8,273,536 |
| 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 | 50,173,415 |
| Accumulated depreciation | <u>(24,745,907)</u> |
| Net assets of governmental activities | <u><u>\$ 33,701,044</u></u> |

See Notes to Financial Statements.

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COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

| | <u>Special Revenue Funds</u> | |
|---|---|---|
| | <u>Zone A</u> | <u>Zone B</u> |
| | <u>Parks and Community Services</u> | <u>Residential Street Lights Administration</u> |
| Revenues: | | |
| Property taxes | \$ 2,239,242 | \$ 118,949 |
| Other taxes | - | - |
| Intergovernmental | - | - |
| Charges for services | 6,154,199 | 928,959 |
| Use of money and property | 58,905 | 53,530 |
| Fines and forfeitures | - | - |
| Miscellaneous | 188,910 | - |
| | <u>8,641,256</u> | <u>1,101,438</u> |
| Total Revenues | | |
| Expenditures: | | |
| Current: | | |
| Community and cultural | <u>8,644,018</u> | <u>1,167,045</u> |
| | <u>8,644,018</u> | <u>1,167,045</u> |
| Total Expenditures | | |
| Excess (Deficiency) of Revenues | | |
| Over (Under) Expenditures | <u>(2,762)</u> | <u>(65,607)</u> |
| Other Financing Sources (Uses): | | |
| Transfers in (Note 4) | - | - |
| Transfers out (Note 4) | - | - |
| Transfers from the City of Moreno Valley | 345,305 | - |
| Transfers to the City of Moreno Valley | <u>(253,909)</u> | <u>(64,883)</u> |
| | <u>91,396</u> | <u>(64,883)</u> |
| Total Other Financing Sources (Uses) | | |
| Net Change in Fund Balances | 88,634 | (130,490) |
| Fund Balances, Beginning of Year | <u>1,318,798</u> | <u>1,171,691</u> |
| Fund Balances, End of Year | <u>\$ 1,407,432</u> | <u>\$ 1,041,201</u> |

See Notes to Financial Statements.

| <u>Zone E</u> <u>Extensive</u> <u>Landscaping</u> <u>Administration</u> | <u>Zone L</u> <u>Library</u> <u>Service Fund</u> | <u>Non-major</u> <u>Governmental</u> <u>Funds</u> | <u>Totals</u> |
|--|--|---|---------------------|
| \$ - | \$ 1,753,421 | \$ 145,673 | \$ 4,257,285 |
| - | - | 724,411 | 724,411 |
| - | 100,777 | - | 100,777 |
| 2,137,874 | 40,108 | 1,615,438 | 10,876,578 |
| 206,274 | - | 61,290 | 379,999 |
| - | 23,816 | - | 23,816 |
| <u>3,008</u> | <u>2,331</u> | <u>3,530</u> | <u>197,779</u> |
| <u>2,347,156</u> | <u>1,920,453</u> | <u>2,550,342</u> | <u>16,560,645</u> |
| <u>2,244,874</u> | <u>2,230,054</u> | <u>2,434,765</u> | <u>16,720,756</u> |
| <u>2,244,874</u> | <u>2,230,054</u> | <u>2,434,765</u> | <u>16,720,756</u> |
| <u>102,282</u> | <u>(309,601)</u> | <u>115,577</u> | <u>(160,111)</u> |
| - | - | 20,500 | 20,500 |
| (20,500) | - | - | (20,500) |
| - | 849,601 | 103,388 | 1,298,294 |
| - | (540,000) | (16,191) | (874,983) |
| <u>(20,500)</u> | <u>309,601</u> | <u>107,697</u> | <u>423,311</u> |
| 81,782 | - | 223,274 | 263,200 |
| <u>3,947,226</u> | <u>108,470</u> | <u>1,464,151</u> | <u>8,010,336</u> |
| <u>\$ 4,029,008</u> | <u>\$ 108,470</u> | <u>\$ 1,687,425</u> | <u>\$ 8,273,536</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, 2007

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 263,200 |
|--|----|---------|

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.

| | | |
|----------------------|--|--------------------|
| Capital Outlay | | 818,890 |
| Depreciation expense | | <u>(2,003,955)</u> |

| | | |
|---|-----------|-------------------------|
| Changes in net assets of governmental activities | \$ | <u>(921,865)</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 A PARKS AND COMMUNITY SERVICES
YEAR ENDED JUNE 30, 2007**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 2,150,010 | \$ 2,150,010 | \$ 2,239,242 | \$ 89,232 |
| Charges for services | 6,392,212 | 6,392,212 | 6,154,199 | (238,013) |
| Use of money and property | 37,080 | 37,080 | 58,905 | 21,825 |
| Miscellaneous | 65,214 | 65,214 | 188,910 | 123,696 |
| Total Revenues | <u>8,644,516</u> | <u>8,644,516</u> | <u>8,641,256</u> | <u>(3,260)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | 9,468,763 | 10,044,916 | 8,644,018 | 1,400,898 |
| Total Expenditures | <u>9,468,763</u> | <u>10,044,916</u> | <u>8,644,018</u> | <u>1,400,898</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(824,247)</u> | <u>(1,400,400)</u> | <u>(2,762)</u> | <u>1,397,638</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from the City of Moreno Valley | 293,633 | 293,633 | 345,305 | 51,672 |
| Transfers to the City of Moreno Valley | (67,908) | (67,908) | (253,909) | (186,001) |
| Total Other Financing Sources (Uses) | <u>225,725</u> | <u>225,725</u> | <u>91,396</u> | <u>(134,329)</u> |
| Net Change in Fund Balances | (598,522) | (1,174,675) | 88,634 | 1,263,309 |
| Fund Balances, Beginning of Year | <u>1,318,798</u> | <u>1,318,798</u> | <u>1,318,798</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 720,276</u> | <u>\$ 144,123</u> | <u>\$ 1,407,432</u> | <u>\$ 1,263,309</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, 2007

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 69,257 | \$ 69,257 | \$ 118,949 | \$ 49,692 |
| Charges for services | 993,734 | 993,734 | 928,959 | (64,775) |
| Use of money and property | 35,490 | 35,490 | 53,530 | 18,040 |
| Miscellaneous | 507 | 507 | - | (507) |
| Total Revenues | <u>1,098,988</u> | <u>1,098,988</u> | <u>1,101,438</u> | <u>2,450</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | <u>1,139,752</u> | <u>1,191,364</u> | <u>1,167,045</u> | <u>24,319</u> |
| Total Expenditures | <u>1,139,752</u> | <u>1,191,364</u> | <u>1,167,045</u> | <u>24,319</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(40,764)</u> | <u>(92,376)</u> | <u>(65,607)</u> | <u>26,769</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers to the City of Moreno Valley | <u>(88,711)</u> | <u>(88,711)</u> | <u>(64,883)</u> | <u>23,828</u> |
| Total Other Financing Sources (Uses) | <u>(88,711)</u> | <u>(88,711)</u> | <u>(64,883)</u> | <u>23,828</u> |
| Net Change in Fund Balances | <u>(129,475)</u> | <u>(181,087)</u> | <u>(130,490)</u> | <u>50,597</u> |
| Fund Balances, Beginning of Year | <u>1,171,691</u> | <u>1,171,691</u> | <u>1,171,691</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 1,042,216</u> | <u>\$ 990,604</u> | <u>\$ 1,041,201</u> | <u>\$ 50,597</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, 2007

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 2,212,906 | \$ 2,212,906 | \$ 2,137,874 | \$ (75,032) |
| Use of money and property | 140,000 | 140,000 | 206,274 | 66,274 |
| Miscellaneous | 2,546 | 2,546 | 3,008 | 462 |
| Total Revenues | <u>2,355,452</u> | <u>2,355,452</u> | <u>2,347,156</u> | <u>(8,296)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | <u>2,858,354</u> | <u>3,185,018</u> | <u>2,244,874</u> | <u>940,144</u> |
| Total Expenditures | <u>2,858,354</u> | <u>3,185,018</u> | <u>2,244,874</u> | <u>940,144</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(502,902)</u> | <u>(829,566)</u> | <u>102,282</u> | <u>931,848</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(20,500)</u> | <u>(20,500)</u> | <u>(20,500)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(20,500)</u> | <u>(20,500)</u> | <u>(20,500)</u> | <u>-</u> |
| Net Change in Fund Balances | <u>(523,402)</u> | <u>(850,066)</u> | <u>81,782</u> | <u>931,848</u> |
| Fund Balances, Beginning of Year | <u>3,947,226</u> | <u>3,947,226</u> | <u>3,947,226</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 3,423,824</u> | <u>\$ 3,097,160</u> | <u>\$ 4,029,008</u> | <u>\$ 931,848</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, 2007

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 1,652,000 | \$ 1,652,000 | \$ 1,753,421 | \$ 101,421 |
| Intergovernmental | 70,000 | 70,000 | 100,777 | 30,777 |
| Charges for services | 40,000 | 40,000 | 40,108 | 108 |
| Fines and forfeitures | 30,000 | 30,000 | 23,816 | (6,184) |
| Miscellaneous | 3,000 | 3,000 | 2,331 | (669) |
| Total Revenues | <u>1,795,000</u> | <u>1,795,000</u> | <u>1,920,453</u> | <u>125,453</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community and cultural | <u>2,408,638</u> | <u>2,428,869</u> | <u>2,230,054</u> | <u>198,815</u> |
| Total Expenditures | <u>2,408,638</u> | <u>2,428,869</u> | <u>2,230,054</u> | <u>198,815</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(613,638)</u> | <u>(633,869)</u> | <u>(309,601)</u> | <u>324,268</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in from the City of Moreno Valley | 1,063,454 | 1,083,685 | 849,601 | (234,084) |
| Transfers out to the City of Moreno Valley | <u>-</u> | <u>-</u> | <u>(540,000)</u> | <u>(540,000)</u> |
| Total Other Financing Sources (Uses) | <u>1,063,454</u> | <u>1,083,685</u> | <u>309,601</u> | <u>(774,084)</u> |
| Net Change in Fund Balances | 449,816 | 449,816 | - | (449,816) |
| Fund Balances, Beginning of Year | <u>108,470</u> | <u>108,470</u> | <u>108,470</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 558,286</u> | <u>\$ 558,286</u> | <u>\$ 108,470</u> | <u>\$ (449,816)</u> |

See Notes to Financial Statements.

**COMMUNITY SERVICES DISTRICT OF THE
CITY OF MORENO VALLEY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

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 Community Services accounts for the administration and maintenance of the parks and community services 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 XIII B of the State Constitution.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the Governmental Fund type, unexpended budgeted amounts, except for amounts relating to capital projects, lapse at the end of the budget year. Spending control for most funds is established by the amount of expenditures budgeted for each department within the fund, but management control is exercised at budgetary line item levels 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, rental income 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 \$7,604,121

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

Note 3: Capital Assets

| | <u>Balances</u> <u>06/30/06</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances</u> <u>06/30/07</u> |
|-----------------------------------|------------------------------------|----------------------|------------------|------------------------------------|
| Depreciable Assets: | | | | |
| Buildings and improvements | \$47,825,610 | \$ 665,072 | \$ - | \$48,490,682 |
| Machinery and equipment | 1,120,878 | 111,983 | (13,219) | 1,219,642 |
| Vehicles | <u>466,115</u> | <u>41,835</u> | <u>(44,859)</u> | <u>463,091</u> |
| Totals | <u>49,412,603</u> | <u>818,890</u> | <u>(58,078)</u> | <u>50,173,415</u> |
| Less Accumulated | | | | |
| Depreciation for: | | | | |
| Building and Improvements | (21,690,546) | (1,856,252) | - | (23,546,798) |
| Machinery and equipment | (814,792) | (99,699) | 13,219 | (901,272) |
| Vehicles | <u>(294,692)</u> | <u>(48,004)</u> | <u>44,859</u> | <u>(297,837)</u> |
| Total Accumulated Depreciation | <u>(22,800,030)</u> | <u>(2,003,955)</u> | <u>58,078</u> | <u>(24,745,907)</u> |
| Total Net Capital Assets | <u>\$26,612,573</u> | <u>\$(1,185,065)</u> | <u>\$ -</u> | <u>\$25,427,508</u> |

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

Note 4: Interfund Transfers

Transfers in and out for the year ended June 30, 2007 were as follows:

| <u>Payable Fund</u> | <u>Receiving Fund</u> | <u>Amount</u> |
|--|--------------------------------|-----------------|
| Zone E Extensive Landscaping Administration | Non-major Governmental Fund | <u>\$20,500</u> |

CSD Zone E Extensive Landscaping Administration Fund transferred \$20,500 to the CFD #1 Fund 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. Under this program, the self-insurance funds provide coverage for up to a maximum of \$300,000 for each worker's compensation claim and \$250,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. All funds of the District participate in the program and make payments to the Self-insurance Funds based on actuarial estimates of the amounts needed to pay prior and current year claims.

COMMUNITY SERVICES DISTRICT OF THE CITY OF MORENO VALLEY

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2007

| | <u>Special Revenue Funds</u> | |
|---|--|--|
| | <u>Zone C</u> | <u>Zone D</u> |
| | <u>Arterial Street Lights Administration</u> | <u>Standard Landscaping Administration</u> |
| Assets: | | |
| Pooled cash and investments | \$ 698,595 | \$ 377,539 |
| Receivables: | | |
| Accounts | - | 3,476 |
| Prepaid costs | 63 | 50 |
| Due from other governments | <u>87,318</u> | <u>142,266</u> |
| Total Assets | <u>\$ 785,976</u> | <u>\$ 523,331</u> |
| Liabilities and Fund Balances: | | |
| Liabilities: | | |
| Accounts payable | \$ 36,532 | \$ 69,687 |
| Accrued liabilities | <u>3,693</u> | <u>27,785</u> |
| Total Liabilities | <u>40,225</u> | <u>97,472</u> |
| Fund Balances: | | |
| Reserved: | | |
| Reserved for encumbrances | 69 | 244 |
| Reserved for prepaid costs | 63 | 50 |
| Unreserved: | | |
| Designated for continuing appropriations | 363,930 | - |
| Designated for capital improvement projects | 223,379 | 298,115 |
| Undesignated | <u>158,310</u> | <u>127,450</u> |
| Total Fund Balances | <u>745,751</u> | <u>425,859</u> |
| Total Liabilities and Fund Balances | <u>\$ 785,976</u> | <u>\$ 523,331</u> |

| <u>Zone M Median Fund</u> | <u>CFD #1 Fund</u> | <u>Total Non-major Funds</u> |
|-----------------------------------|------------------------|--------------------------------------|
| \$ 87,733 | \$ 452,879 | \$ 1,616,746 |
| - | 43 | 3,519 |
| - | - | 113 |
| <u>5,278</u> | <u>37,429</u> | <u>272,291</u> |
| <u>\$ 93,011</u> | <u>\$ 490,351</u> | <u>\$ 1,892,669</u> |
| | | |
| \$ 18,513 | \$ 30,068 | \$ 154,800 |
| <u>2,485</u> | <u>16,481</u> | <u>50,444</u> |
| <u>20,998</u> | <u>46,549</u> | <u>205,244</u> |
| | | |
| - | - | 313 |
| - | - | 113 |
| - | 58,032 | 421,962 |
| - | - | 521,494 |
| <u>72,013</u> | <u>385,770</u> | <u>743,543</u> |
| <u>72,013</u> | <u>443,802</u> | <u>1,687,425</u> |
| <u>\$ 93,011</u> | <u>\$ 490,351</u> | <u>\$ 1,892,669</u> |

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, 2007**

| | <u>Special Revenue Funds</u> | |
|--|--|--|
| | <u>Zone C</u> | <u>Zone D</u> |
| | <u>Arterial Street Lights Administration</u> | <u>Standard Landscaping Administration</u> |
| Revenues: | | |
| Property taxes | \$ 145,673 | \$ - |
| Other taxes | - | - |
| Charges for services | 431,190 | 1,060,683 |
| Use of money and property | 34,107 | 14,329 |
| Miscellaneous | - | 3,530 |
| | <hr/> | <hr/> |
| Total Revenues | <u>610,970</u> | <u>1,078,542</u> |
| Expenditures: | | |
| Current: | | |
| Community and cultural | <u>555,399</u> | <u>1,045,213</u> |
| | <hr/> | <hr/> |
| Total Expenditures | <u>555,399</u> | <u>1,045,213</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>55,571</u> | <u>33,329</u> |
| Other Financing Sources (Uses): | | |
| Transfers in | - | - |
| Transfers in from the City of Moreno Valley | - | - |
| Transfers out to the City of Moreno Valley | <u>(16,191)</u> | <u>-</u> |
| | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | <u>(16,191)</u> | <u>-</u> |
| Net Change in Fund Balances | 39,380 | 33,329 |
| Fund Balances, Beginning of Year | <u>706,371</u> | <u>392,530</u> |
| Fund Balances, End of Year | <u><u>\$ 745,751</u></u> | <u><u>\$ 425,859</u></u> |

| Zone M Median Fund | CFD #1 Fund | Total Non-major Funds |
|-----------------------------------|------------------------|--------------------------------------|
| \$ - | \$ - | \$ 145,673 |
| - | 724,411 | 724,411 |
| 123,565 | - | 1,615,438 |
| - | 12,854 | 61,290 |
| - | - | 3,530 |
| <u>123,565</u> | <u>737,265</u> | <u>2,550,342</u> |
| | | |
| <u>160,387</u> | <u>673,766</u> | <u>2,434,765</u> |
| <u>160,387</u> | <u>673,766</u> | <u>2,434,765</u> |
| | | |
| <u>(36,822)</u> | <u>63,499</u> | <u>115,577</u> |
| | | |
| - | 20,500 | 20,500 |
| 103,388 | - | 103,388 |
| - | - | (16,191) |
| | | |
| <u>103,388</u> | <u>20,500</u> | <u>107,697</u> |
| | | |
| 66,566 | 83,999 | 223,274 |
| | | |
| <u>5,447</u> | <u>359,803</u> | <u>1,464,151</u> |
| | | |
| <u>\$ 72,013</u> | <u>\$ 443,802</u> | <u>\$ 1,687,425</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 STREET LIGHTS ADMINISTRATION
YEAR ENDED JUNE 30, 2007

| | <u>Final Budget Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------------------|---------------------------|---|
| Revenues: | | | |
| Property taxes | \$ 65,995 | \$ 145,673 | \$ 79,678 |
| Charges for services | 441,586 | 431,190 | (10,396) |
| Use of money and property | <u>17,350</u> | <u>34,107</u> | <u>16,757</u> |
| Total Revenues | <u>524,931</u> | <u>610,970</u> | <u>86,039</u> |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | <u>1,023,149</u> | <u>555,399</u> | <u>467,750</u> |
| Total Expenditures | <u>1,023,149</u> | <u>555,399</u> | <u>467,750</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(498,218)</u> | <u>55,571</u> | <u>553,789</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out to the City of Moreno Valley | <u>(34,713)</u> | <u>(16,191)</u> | <u>18,522</u> |
| Total Other Financing Sources (Uses) | <u>(34,713)</u> | <u>(16,191)</u> | <u>18,522</u> |
| Net Change in Fund Balances | (532,931) | 39,380 | 572,311 |
| Fund Balances, Beginning of Year | <u>706,371</u> | <u>706,371</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 173,440</u> | <u>\$ 745,751</u> | <u>\$ 572,311</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, 2007**

| | <u>Final Budget Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|-------------------------------------|---------------------------|---|
| Revenues: | | | |
| Charges for services | \$ 900,090 | \$ 1,060,683 | \$ 160,593 |
| Use of money and property | 19,810 | 14,329 | (5,481) |
| Miscellaneous | <u>1,725</u> | <u>3,530</u> | <u>1,805</u> |
| Total Revenues | <u>921,625</u> | <u>1,078,542</u> | <u>156,917</u> |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | <u>1,153,826</u> | <u>1,045,213</u> | <u>108,613</u> |
| Total Expenditures | <u>1,153,826</u> | <u>1,045,213</u> | <u>108,613</u> |
| Net Change in Fund Balances | (232,201) | 33,329 | 265,530 |
| Fund Balances, Beginning of Year | <u>392,530</u> | <u>392,530</u> | <u>-</u> |
| Fund Balances, End of Year | <u><u>\$ 160,329</u></u> | <u><u>\$ 425,859</u></u> | <u><u>\$ 265,530</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, 2007

| | <u>Final Budget Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------------------|---------------------------|---|
| Revenues: | | | |
| Charges for services | \$ 57,862 | \$ 123,565 | \$ 65,703 |
| Total Revenues | <u>57,862</u> | <u>123,565</u> | <u>65,703</u> |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | <u>173,439</u> | <u>160,387</u> | <u>13,052</u> |
| Total Expenditures | <u>173,439</u> | <u>160,387</u> | <u>13,052</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(115,577)</u> | <u>(36,822)</u> | <u>78,755</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in from the City of Moreno Valley | <u>103,388</u> | <u>103,388</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>103,388</u> | <u>103,388</u> | <u>-</u> |
| Net Change in Fund Balances | (12,189) | 66,566 | 78,755 |
| Fund Balances, Beginning of Year | <u>5,447</u> | <u>5,447</u> | <u>-</u> |
| Fund (Deficit) Balances, End of Year | <u><u>\$ (6,742)</u></u> | <u><u>\$ 72,013</u></u> | <u><u>\$ 78,755</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, 2007

| | <u>Final Budget Amounts</u> | <u>Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------------------|-------------------|---|
| Revenues: | | | |
| Other taxes | \$ 596,000 | \$ 724,411 | \$ 128,411 |
| Charges for services | 20,200 | - | (20,200) |
| Use of money and property | <u>-</u> | <u>12,854</u> | <u>12,854</u> |
| Total Revenues | <u>616,200</u> | <u>737,265</u> | <u>121,065</u> |
| Expenditures: | | | |
| Current: | | | |
| Community and cultural | <u>875,277</u> | <u>673,766</u> | <u>201,511</u> |
| Total Expenditures | <u>875,277</u> | <u>673,766</u> | <u>201,511</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(259,077)</u> | <u>63,499</u> | <u>322,576</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | <u>20,500</u> | <u>20,500</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>20,500</u> | <u>20,500</u> | <u>-</u> |
| Net Change in Fund Balances | (238,577) | 83,999 | 322,576 |
| Fund Balances, Beginning of Year | <u>359,803</u> | <u>359,803</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 121,226</u> | <u>\$ 443,802</u> | <u>\$ 322,576</u> |

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