

Community SERVICES DISTRICT

CITY OF MORENO VALLEY, CALIFORNIA



FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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

FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2011
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

City of Moreno Valley, California
Community Services District

Financial Statements

Year Ended June 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Moreno Valley, California, Community Services District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 opinion.

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, 2011, and the respective changes in financial position and the respective budgetary comparison for the Zone L Library Services Fund, Zone A Parks and Community Services Fund, Zone E Extensive Landscaping Administration Fund and CFD #1 Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining statements are presented for purposes of additional analysis and are not a required part of the financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other



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

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The District has not presented a 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.

Lance, Soll & Luyhard, LLP

Brea, California
January 11, 2012

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

**Statement of Net Assets
June 30, 2011**

	Governmental Activities
Assets:	
Pooled cash and investments (note 2)	\$ 12,652,018
Receivables:	
Accounts	235,015
Due from other governments	384,902
Capital assets not being depreciated (note 3)	812,604
Capital assets, net of depreciation (note 3)	<u>20,178,752</u>
Total Assets	<u>34,263,291</u>
Liabilities:	
Accounts payable	508,655
Accrued liabilities	114,960
Unearned revenue	203,555
Deposits payable	105,762
Due to the City of Moreno Valley	3,305,681
Due to other governments	5
Advances from the City of Moreno Valley (note 4)	<u>51,700</u>
Total Liabilities	<u>4,290,318</u>
Net Assets:	
Invested in capital assets, net of related debt	20,991,356
Restricted for:	
Special zones	<u>8,981,617</u>
Total Net Assets	<u><u>\$ 29,972,973</u></u>

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

**Statement of Activities
Year Ended June 30, 2011**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total
Functions/Programs				
Primary Government:				
Governmental Activities:				
Community and cultural	\$ 18,224,880	\$ 10,435,552	\$ 74,097	\$ -
Capital contributions to the City of Moreno Valley	638,225	-	-	-
Total Governmental Activities	\$ 18,863,105	\$ 10,435,552	\$ 74,097	\$ -
General Revenues:				
Taxes:				
Property taxes				3,237,015
Other taxes				1,013,881
Use of money and property				614,940
Miscellaneous				63,102
Contributions from the City of Moreno Valley				763,798
Transfers from the City of Moreno Valley				1,587,244
Total General Revenues, Contributions and Transfers				7,279,980
Change in Net Assets				(1,073,476)
Net Assets at Beginning of Year				31,046,449
Net Assets at End of Year				\$ 29,972,973

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

**Governmental Funds
Balance Sheet
June 30, 2011**

	Special Revenue Funds		
	Zone L Library Services Fund	Zone A Parks and Community Services	Zone E Extensive Landscaping Administration
Assets:			
Pooled cash and investments (note 2)	\$ 250,684	\$ 5,487,202	\$ 4,274,748
Receivables:			
Accounts	837	228,030	2,672
Due from other governments	48,661	150,761	43,706
Total Assets	\$ 300,182	\$ 5,865,993	\$ 4,321,126
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 6,104	\$ 164,778	\$ 120,185
Accrued liabilities	21,652	69,292	8,679
Due to the City of Moreno Valley	-	3,305,681	-
Due to other governments	-	5	-
Deferred revenues	-	5,109	-
Unearned revenues	-	203,555	-
Deposits payable	-	105,762	-
Advances from the City of Moreno Valley	-	-	-
Total Liabilities	27,756	3,854,182	128,864
Fund Balances:			
Restricted for:			
Special zones	272,426	1,998,490	4,192,262
Committed to:			
Scholarship Program	-	13,321	-
Total Fund Balances	272,426	2,011,811	4,192,262
Total Liabilities and Fund Balances	\$ 300,182	\$ 5,865,993	\$ 4,321,126

Special Revenue Funds

CFD #1 Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,376,018	\$ 1,263,366	\$ 12,652,018
-	3,476	235,015
81,737	60,037	384,902
\$ 1,457,755	\$ 1,326,879	\$ 13,271,935
\$ 30,508	\$ 187,080	\$ 508,655
6,222	9,115	114,960
-	-	3,305,681
-	-	5
-	-	5,109
-	-	203,555
-	-	105,762
-	51,700	51,700
36,730	247,895	4,295,427
1,421,025	1,078,984	8,963,187
-	-	13,321
1,421,025	1,078,984	8,976,508
\$ 1,457,755	\$ 1,326,879	\$ 13,271,935

Assets:

Pooled cash and investments (note 2)
 Receivables:
 Accounts
 Due from other governments

Total Assets

Liabilities and Fund Balances:

Liabilities:

Accounts payable
 Accrued liabilities
 Due to the City of Moreno Valley
 Due to other governments
 Deferred revenues
 Unearned revenues
 Deposits payable
 Advances from the City of Moreno Valley

Total Liabilities

Fund Balances:

Restricted for:

Special zones
 Committed to:
 Scholarship Program

Total Fund Balances

Total Liabilities and Fund Balances

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

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011**

Fund balances of governmental funds	\$ 8,976,508
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets not being depreciated	812,604
Depreciable capital assets, net of accumulated depreciation	20,178,752
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the statement of revenues, expenditures and changes in fund balances. These revenues are reported as deferred revenue in the balance sheet of governmental funds.	<u>5,109</u>
Net assets of governmental activities	<u><u>\$ 29,972,973</u></u>

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

**Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2011**

	Special Revenue Funds		
	Zone L Library Services Fund	Zone A Parks and Community Services	Zone E Extensive Landscaping Administration
Revenues:			
Taxes:			
Property taxes	\$ 1,344,931	\$ 1,692,052	\$ -
Other taxes	-	-	-
Intergovernmental	74,097	-	-
Charges for services	40,201	5,977,119	2,399,033
Use of money and property	-	505,995	74,922
Fines and forfeitures	42,302	-	-
Miscellaneous	22,783	29,714	4,631
	1,524,314	8,204,880	2,478,586
Expenditures:			
Current:			
Community and cultural	1,852,639	7,606,897	2,332,842
Capital outlay	-	18,247	-
	1,852,639	7,625,144	2,332,842
Excess (Deficiency) of Revenues Over (Under) Expenditures	(328,325)	579,736	145,744
Other Financing Sources (Uses):			
Transfers from the City of Moreno Valley	446,740	323,513	-
	446,740	323,513	-
Net Change in Fund Balances	118,415	903,249	145,744
Fund Balances, Beginning of Year	154,011	1,108,562	4,046,518
Fund Balances, End of Year	\$ 272,426	\$ 2,011,811	\$ 4,192,262

Special Revenue Funds

CFD #1 Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 200,032	\$ 3,237,015
1,013,881	-	1,013,881
-	-	74,097
25,305	2,730,287	11,171,945
24,668	9,355	614,940
-	-	42,302
-	5,974	63,102
1,063,854	2,945,648	16,217,282
843,795	3,657,175	16,293,348
-	-	18,247
843,795	3,657,175	16,311,595
220,059	(711,527)	(94,313)
-	816,991	1,587,244
-	816,991	1,587,244
220,059	105,464	1,492,931
1,200,966	973,520	7,483,577
\$ 1,421,025	\$ 1,078,984	\$ 8,976,508

Revenues:

Taxes:

Property taxes

Other taxes

Intergovernmental

Charges for services

Use of money and property

Fines and forfeitures

Miscellaneous

Total Revenues

Expenditures:

Current:

Community and cultural

Capital outlay

Total Expenditures

Excess (Deficiency) of Revenues
Over (Under) Expenditures

Other Financing Sources (Uses):

Transfers from the City of Moreno Valley

**Total Other Financing Sources
(Uses)**

Net Change in Fund Balances

Fund Balances, Beginning of Year

Fund Balances, End of Year

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

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2011**

Net change in fund balances - total governmental funds \$ 1,492,931

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 costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay	18,247
Depreciation expense	(1,931,532)
Contributions from the City of Moreno Valley	763,798
Contributions to the City of Moreno Valley	(638,225)

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

(778,695)

Change in net assets of governmental activities

\$ (1,073,476)

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

**Zone L Library Services Fund
Budgetary Comparison Statement
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 1,201,200	\$ 1,261,200	\$ 1,344,931	\$ 83,731
Intergovernmental	27,000	27,000	74,097	47,097
Charges for services	33,000	33,000	40,201	7,201
Fines and forfeitures	56,500	56,500	42,302	(14,198)
Miscellaneous	2,000	22,120	22,783	663
Total Revenues	<u>1,319,700</u>	<u>1,399,820</u>	<u>1,524,314</u>	<u>124,494</u>
Expenditures:				
Current:				
Community and cultural	1,903,462	1,955,559	1,852,639	102,920
Total Expenditures	<u>1,903,462</u>	<u>1,955,559</u>	<u>1,852,639</u>	<u>102,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(583,762)</u>	<u>(555,739)</u>	<u>(328,325)</u>	<u>21,574</u>
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	446,740	446,740	446,740	-
Total Other Financing Sources (Uses)	<u>446,740</u>	<u>446,740</u>	<u>446,740</u>	<u>-</u>
Net Change in Fund Balances	<u>(137,022)</u>	<u>(108,999)</u>	<u>118,415</u>	<u>21,574</u>
Fund Balance, Beginning of Year	154,011	154,011	154,011	-
Fund Balance, End of Year	<u>\$ 16,989</u>	<u>\$ 45,012</u>	<u>\$ 272,426</u>	<u>\$ 21,574</u>

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

**Zone A Parks and Community Services
Budgetary Comparison Statement
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 1,586,789	\$ 1,586,789	\$ 1,692,052	\$ 105,263
Charges for services	5,637,700	5,637,700	5,977,119	339,419
Use of money and property	457,800	458,800	505,995	47,195
Miscellaneous	25,500	26,433	29,714	3,281
Total Revenues	<u>7,707,789</u>	<u>7,709,722</u>	<u>8,204,880</u>	<u>495,158</u>
Expenditures:				
Current:				
Community and cultural	7,817,977	7,818,910	7,606,897	212,013
Capital outlay	6,400	69,850	18,247	51,603
Total Expenditures	<u>7,824,377</u>	<u>7,888,760</u>	<u>7,625,144</u>	<u>263,616</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(116,588)</u>	<u>(179,038)</u>	<u>579,736</u>	<u>231,542</u>
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	289,800	289,800	323,513	33,713
Total Other Financing Sources (Uses)	<u>289,800</u>	<u>289,800</u>	<u>323,513</u>	<u>33,713</u>
Net Change in Fund Balances	<u>173,212</u>	<u>110,762</u>	<u>903,249</u>	<u>265,255</u>
Fund Balance, Beginning of Year	<u>1,108,562</u>	<u>1,108,562</u>	<u>1,108,562</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,281,774</u></u>	<u><u>\$ 1,219,324</u></u>	<u><u>\$ 2,011,811</u></u>	<u><u>\$ 265,255</u></u>

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

**Zone E Extensive Landscaping Administration
Budgetary Comparison Statement
Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 2,403,200	\$ 2,351,400	\$ 2,399,033	\$ 47,633
Use of money and property	69,600	69,600	74,922	5,322
Miscellaneous	2,800	2,800	4,631	1,831
Total Revenues	2,475,600	2,423,800	2,478,586	54,786
Expenditures:				
Current:				
Community and cultural	2,781,383	2,781,383	2,332,842	448,541
Total Expenditures	2,781,383	2,781,383	2,332,842	448,541
Net Change in Fund Balances	(305,783)	(357,583)	145,744	(393,755)
Fund Balance, Beginning of Year	4,046,518	4,046,518	4,046,518	-
Fund Balance, End of Year	\$ 3,740,735	\$ 3,688,935	\$ 4,192,262	\$ (393,755)

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

**CFD #1 Fund
Budgetary Comparison Statement
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Other taxes	\$ 967,800	\$ 967,800	\$ 1,013,881	\$ 46,081
Charges for services	-	25,305	25,305	-
Use of money and property	13,000	13,000	24,668	11,668
Total Revenues	980,800	1,006,105	1,063,854	57,749
Expenditures:				
Current:				
Community and cultural	939,525	939,525	843,795	95,730
Capital outlay	117,000	120,000	-	120,000
Total Expenditures	1,056,525	1,059,525	843,795	215,730
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,725)	(53,420)	220,059	(157,981)
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	25,305	-	-	-
Total Other Financing Sources (Uses)	25,305	-	-	-
Net Change in Fund Balances	(50,420)	(53,420)	220,059	(157,981)
Fund Balance, Beginning of Year	1,200,966	1,200,966	1,200,966	-
Fund Balance, End of Year	\$ 1,150,546	\$ 1,147,546	\$ 1,421,025	\$ (157,981)

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

**Notes to Financial Statements
June 30, 2011**

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

Governmental Accounting Standards define the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either: a) the primary government has the ability to impose its will, or b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on the primary government. Since the City Council of the City of Moreno Valley also serves as the Governing Board of the District, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the District. Accordingly, in applying the criteria of Governmental Accounting Standards, the financial statements of the District are included in the City's Comprehensive Annual Financial Report. The District has the same fiscal year end as the City and its financial statements can be obtained from the City Clerk.

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

**Notes to Financial Statements (Continued)
June 30, 2011**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The District reports the following major governmental funds:

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

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

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

CFD #1 Fund provides funding for maintenance of new neighborhood parks, trails, and Class I bikeways.

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.

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

**Notes to Financial Statements (Continued)
June 30, 2011**

Note 1: Summary of Significant Accounting Policies (Continued)

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. Use of Restricted/Unrestricted Net Assets

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

f. Deferred Revenue

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

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

g. Fund Balance

In the fund financial statements, government funds report the following fund balance classifications:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the Governing Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a minute action or a resolution.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Financial and Administrative Services Director is authorized to assign amounts to a specific purpose, which was established by the governing body in a resolution.

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

**Notes to Financial Statements (Continued)
June 30, 2011**

Note 1: Summary of Significant Accounting Policies (Continued)

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

h. Net Assets

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

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

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

i. Encumbrances

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

j. Capital Assets

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

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

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

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

**Notes to Financial Statements (Continued)
June 30, 2011**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

k. Investments

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

l. Salary Expenditures

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

m. Property Taxes

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

n. Use of Estimates

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

Note 2: Cash and Investments

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

Cash and investments pooled with the City	<u>\$12,652,018</u>
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The District has no separate bank accounts or investments other than the District's equity in the cash and investment pool managed by the City. The District is a voluntary participant in the City's investment pool. This pool is governed by and under the regulatory oversight of the

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

**Notes to Financial Statements (Continued)
June 30, 2011**

Note 2: Cash and Investments (Continued)

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

The following is a summary of capital assets for governmental activities:

	Balances 7/1/2010	Additions	Deletions	Balances 6/30/2011
Non-depreciable Assets:				
Land	\$ 450,000	\$ -	\$ -	\$ 450,000
Construction in progress	-	362,604	-	362,604
Total Non-depreciable Assets	<u>450,000</u>	<u>362,604</u>	<u>-</u>	<u>812,604</u>
Depreciable Assets:				
Buildings and Improvements	49,973,475	-	(1,013,056)	48,960,419
Furniture and Equipment	1,250,323	419,441	-	1,669,764
Vehicles	529,503	-	-	529,503
Infrastructure	101,457	-	-	101,457
Total Depreciable Assets	<u>51,854,758</u>	<u>419,441</u>	<u>(1,013,056)</u>	<u>51,261,143</u>
Accumulated Depreciation:				
Buildings and Improvements	(28,013,338)	(1,781,812)	374,831	(29,420,319)
Furniture and Equipment	(1,082,089)	(74,946)	-	(1,157,035)
Vehicles	(428,485)	(71,218)	-	(499,703)
Infrastructure	(1,778)	(3,556)	-	(5,334)
Total Accumulated Depreciation	<u>(29,525,690)</u>	<u>(1,931,532)</u>	<u>374,831</u>	<u>(31,082,391)</u>
Total Depreciable Assets, Net of Depreciation	<u>22,329,068</u>	<u>(1,512,091)</u>	<u>(638,225)</u>	<u>20,178,752</u>
Total Capital Assets, Net of Depreciation	<u>\$ 22,779,068</u>	<u>\$ (1,149,487)</u>	<u>\$ (638,225)</u>	<u>\$ 20,991,356</u>

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

Governmental Activities:	
Community and cultural	<u>\$ 1,931,532</u>

Note 4: Advances from the City of Moreno Valley

During the year, the City of Moreno Valley loaned \$51,700 to the Community Services District Zone B Residential Street Lights Administration Fund to subsidize the cost of residential streetlight services to be repaid by February 7, 2016.

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

**Notes to Financial Statements (Continued)
June 30, 2011**

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.

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

**Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011**

	Special Revenue Funds		
	Zone B Residential Street Lights Administration	Zone C Arterial Street Lights Administration	Zone D Standard Landscaping Administration
Assets:			
Pooled cash and investments	\$ 129,243	\$ 303,131	\$ 463,333
Receivables:			
Accounts	-	-	3,476
Due from other governments	21,452	12,801	23,259
	\$ 150,695	\$ 315,932	\$ 490,068
Total Assets	\$ 150,695	\$ 315,932	\$ 490,068
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 94,566	\$ 39,253	\$ 39,870
Accrued liabilities	2,054	668	5,071
Advances from the City of Moreno Valley	51,700	-	-
	148,320	39,921	44,941
Total Liabilities	148,320	39,921	44,941
Fund Balances:			
Restricted for:			
Special zones	2,375	276,011	445,127
	2,375	276,011	445,127
Total Fund Balances	2,375	276,011	445,127
Total Liabilities and Fund Balances	\$ 150,695	\$ 315,932	\$ 490,068

Special Revenue Funds

Zone M Median Fund	Zone S Sunnymead Boulevard Maintenance	Total Nonmajor Funds
\$ 289,180	\$ 78,479	\$ 1,263,366
-	-	3,476
1,409	1,116	60,037
\$ 290,589	\$ 79,595	\$ 1,326,879
10,107	3,284	187,080
1,085	237	9,115
-	-	51,700
11,192	3,521	247,895
279,397	76,074	1,078,984
279,397	76,074	1,078,984
\$ 290,589	\$ 79,595	\$ 1,326,879

Assets:

Pooled cash and investments
 Receivables:
 Accounts
 Due from other governments

Total Assets

Liabilities and Fund Balances:

Liabilities:

Accounts payable
 Accrued liabilities
 Advances from the City of Moreno Valley

Total Liabilities

Fund Balances:

Restricted for:

Special zones

Total Fund Balances

Total Liabilities and Fund Balances

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

**Nonmajor Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
Year Ended June 30, 2011**

	Special Revenue Funds		
	Zone B Residential Street Lights Administration	Zone C Arterial Street Lights Administration	Zone D Standard Landscaping Administration
Revenues:			
Taxes:			
Property taxes	\$ 85,934	\$ 114,098	\$ -
Charges for services	947,662	451,751	1,120,675
Use of money and property	(5,210)	5,742	7,210
Miscellaneous	-	-	5,624
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>1,028,386</u>	<u>571,591</u>	<u>1,133,509</u>
Expenditures:			
Current:			
Community and cultural	1,605,916	751,807	1,018,025
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>1,605,916</u>	<u>751,807</u>	<u>1,018,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(577,530)</u>	<u>(180,216)</u>	<u>115,484</u>
Other Financing Sources (Uses):			
Transfers from the City of Moreno Valley	713,591	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	<u>713,591</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>136,061</u>	<u>(180,216)</u>	<u>115,484</u>
Fund Balances, Beginning of Year	<u>(133,686)</u>	<u>456,227</u>	<u>329,643</u>
Fund Balances, End of Year	<u>\$ 2,375</u>	<u>\$ 276,011</u>	<u>\$ 445,127</u>

Special Revenue Funds		
Zone S		
Zone M Median Fund	Sunnymead Boulevard Maintenance	Total Nonmajor Funds
\$ -	\$ -	\$ 200,032
158,234	51,965	2,730,287
-	1,613	9,355
350	-	5,974
158,584	53,578	2,945,648
220,321	61,106	3,657,175
220,321	61,106	3,657,175
(61,737)	(7,528)	(711,527)
103,400	-	816,991
103,400	-	816,991
41,663	(7,528)	105,464
237,734	83,602	973,520
\$ 279,397	\$ 76,074	\$ 1,078,984

Revenues:

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

Total Revenues

Expenditures:

Current:
Community and cultural

Total Expenditures

Excess (Deficiency) of Revenues
Over (Under) Expenditures

Other Financing Sources (Uses):

Transfers from the City of Moreno Valley

**Total Other Financing Sources
(Uses)**

Net Change in Fund Balances

Fund Balances, Beginning of Year

Fund Balances, End of Year

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

**Zone B Residential Street Lights Administration
Budgetary Comparison Schedule
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 116,100	\$ 116,100	\$ 85,934	\$ (30,166)
Charges for services	930,600	930,600	947,662	17,062
Use of money and property	-	-	(5,210)	(5,210)
Total Revenues	<u>1,046,700</u>	<u>1,046,700</u>	<u>1,028,386</u>	<u>(18,314)</u>
Expenditures:				
Current:				
Community and cultural	1,615,394	1,615,394	1,605,916	9,478
Total Expenditures	<u>1,615,394</u>	<u>1,615,394</u>	<u>1,605,916</u>	<u>9,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(568,694)</u>	<u>(568,694)</u>	<u>(577,530)</u>	<u>(27,792)</u>
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	-	623,300	713,591	90,291
Total Other Financing Sources (Uses)	<u>-</u>	<u>623,300</u>	<u>713,591</u>	<u>90,291</u>
Net Change in Fund Balances	<u>(568,694)</u>	<u>54,606</u>	<u>136,061</u>	<u>62,499</u>
Fund Balance, Beginning of Year	<u>(133,686)</u>	<u>(133,686)</u>	<u>(133,686)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (702,380)</u></u>	<u><u>\$ (79,080)</u></u>	<u><u>\$ 2,375</u></u>	<u><u>\$ 62,499</u></u>

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

**Zone C Arterial Street Lights Administration
Budgetary Comparison Schedule
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 139,300	\$ 139,300	\$ 114,098	\$ (25,202)
Charges for services	431,700	431,700	451,751	20,051
Use of money and property	9,000	9,000	5,742	(3,258)
Total Revenues	<u>580,000</u>	<u>580,000</u>	<u>571,591</u>	<u>(8,409)</u>
Expenditures:				
Current:				
Community and cultural	788,078	788,078	751,807	36,271
Total Expenditures	<u>788,078</u>	<u>788,078</u>	<u>751,807</u>	<u>36,271</u>
Net Change in Fund Balances	<u>(208,078)</u>	<u>(208,078)</u>	<u>(180,216)</u>	<u>(44,680)</u>
Fund Balance, Beginning of Year	<u>456,227</u>	<u>456,227</u>	<u>456,227</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 248,149</u>	<u>\$ 248,149</u>	<u>\$ 276,011</u>	<u>\$ (44,680)</u>

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

**Zone D Standard Landscaping Administration
Budgetary Comparison Schedule
Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,091,500	\$ 1,091,500	\$ 1,120,675	\$ 29,175
Use of money and property	1,300	1,300	7,210	5,910
Miscellaneous	50,000	50,000	5,624	(44,376)
Total Revenues	1,142,800	1,142,800	1,133,509	(9,291)
Expenditures:				
Current:				
Community and cultural	1,415,813	1,415,813	1,018,025	397,788
Total Expenditures	1,415,813	1,415,813	1,018,025	397,788
Net Change in Fund Balances	(273,013)	(273,013)	115,484	(407,079)
Fund Balance, Beginning of Year	329,643	329,643	329,643	-
Fund Balance, End of Year	\$ 56,630	\$ 56,630	\$ 445,127	\$ (407,079)

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

**Zone M Median Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 204,200	\$ 204,200	\$ 158,234	\$ (45,966)
Use of money and property	1,500	1,500	-	(1,500)
Miscellaneous	-	-	350	350
Total Revenues	205,700	205,700	158,584	(47,116)
Expenditures:				
Current:				
Community and cultural	272,844	272,844	220,321	52,523
Total Expenditures	272,844	272,844	220,321	52,523
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,144)	(67,144)	(61,737)	(99,639)
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	103,400	103,400	103,400	-
Total Other Financing Sources (Uses)	103,400	103,400	103,400	-
Net Change in Fund Balances	36,256	36,256	41,663	(99,639)
Fund Balance, Beginning of Year	237,734	237,734	237,734	-
Fund Balance, End of Year	\$ 273,990	\$ 273,990	\$ 279,397	\$ (99,639)

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

**Zone S Sunnymead Boulevard Maintenance
Budgetary Comparison Schedule
Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 52,400	\$ 57,400	\$ 51,965	\$ (5,435)
Use of money and property	-	-	1,613	1,613
Total Revenues	52,400	57,400	53,578	(3,822)
Expenditures:				
Current:				
Community and cultural	117,600	117,600	61,106	56,494
Total Expenditures	117,600	117,600	61,106	56,494
Net Change in Fund Balances	(65,200)	(60,200)	(7,528)	(60,316)
Fund Balance, Beginning of Year	83,602	83,602	83,602	-
Fund Balance, End of Year	\$ 18,402	\$ 23,402	\$ 76,074	\$ (60,316)



MORENO VALLEY
WHERE DREAMS SOAR