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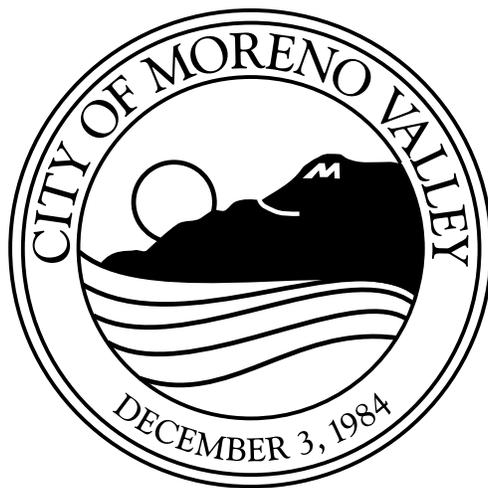
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**Community Services
District**

COMMUNITY SERVICES DISTRICT



FINANCIAL STATEMENTS
Year Ended June 30, 2012
(with Independent Auditors' Report Thereon)



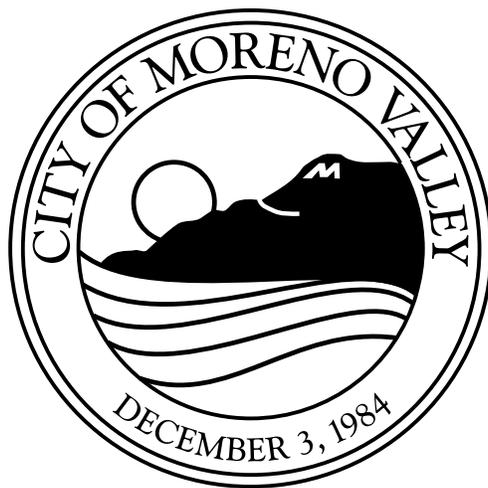
City of Moreno Valley, California
Community Services District

Financial Statements

Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the 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 (District), as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof 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 the CFD #1 Fund, 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 February 14, 2013, 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 and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules 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



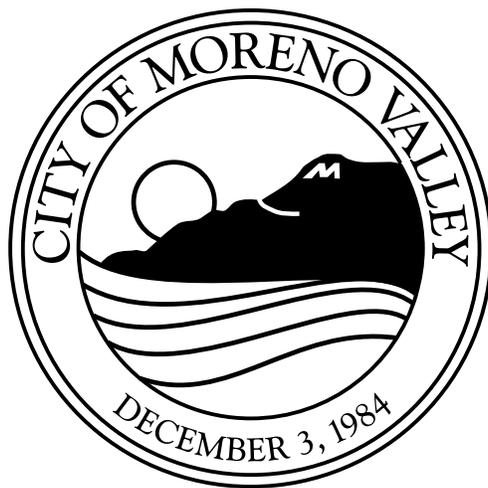
To the Directors
City of Moreno Valley, California
Community Services District

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Lance, Soll & Lughard, LLP

Brea, California
February 14, 2013



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

**Statement of Net Assets
June 30, 2012**

	<u>Governmental Activities</u>
Assets:	
Pooled cash and investments (note 2)	\$ 12,676,249
Receivables:	
Accounts	271,877
Prepaid costs	4,775
Due from other governments	280,472
Capital assets not being depreciated (note 3)	1,546,120
Capital assets, net of depreciation (note 3)	<u>19,204,360</u>
Total Assets	<u>33,983,853</u>
Liabilities:	
Accounts payable	561,410
Accrued liabilities	145,725
Unearned revenue	233,799
Deposits payable	20,144
Due to the City of Moreno Valley	1,321,287
Advances from the City of Moreno Valley (note 4)	<u>51,700</u>
Total Liabilities	<u>2,334,065</u>
Net Assets:	
Invested in capital assets	20,750,480
Restricted for:	
Special zones	<u>10,899,308</u>
Total Net Assets	<u>\$ 31,649,788</u>

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

**Governmental Funds
Balance Sheet
June 30, 2012**

	Special Revenue Funds		
	Zone L Library Services	Zone A Parks and Community Services	Zone E Extensive Landscaping Administration
Assets:			
Pooled cash and investments (note 2)	\$ 152,640	\$ 4,583,679	\$ 4,794,858
Receivables:			
Accounts	906	233,321	924
Prepaid costs	275	3,862	319
Due from other governments	44,861	134,175	30,198
	\$ 198,682	\$ 4,955,037	\$ 4,826,299
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 45,769	\$ 169,287	\$ 111,129
Accrued liabilities	24,600	82,770	17,221
Due to the City of Moreno Valley	-	1,321,287	-
Unearned revenues	-	233,799	-
Deposits payable	-	20,144	-
Advances from the City of Moreno Valley (note 4)	-	-	-
	70,369	1,827,287	128,350
Fund Balances:			
Nonspendable:			
Prepaid costs	275	3,862	319
Restricted for:			
Special zones	128,038	3,106,556	4,697,630
Committed to:			
Scholarship Program	-	17,332	-
	128,313	3,127,750	4,697,949
Total Fund Balances	128,313	3,127,750	4,697,949
Total Liabilities and Fund Balances	\$ 198,682	\$ 4,955,037	\$ 4,826,299

Special Revenue Funds

CFD #1	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,550,440	\$ 1,594,632	\$ 12,676,249
-	36,726	271,877
-	319	4,775
10,308	60,930	280,472
\$ 1,560,748	\$ 1,692,607	\$ 13,233,373
\$ 32,393	\$ 202,832	\$ 561,410
7,204	13,930	145,725
-	-	1,321,287
-	-	233,799
-	-	20,144
-	51,700	51,700
39,597	268,462	2,334,065
-	319	4,775
1,521,151	1,423,826	10,877,201
-	-	17,332
1,521,151	1,424,145	10,899,308
\$ 1,560,748	\$ 1,692,607	\$ 13,233,373

Assets:

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

Total Assets

Liabilities and Fund Balances:

Liabilities:

Accounts payable
 Accrued liabilities
 Due to the City of Moreno Valley
 Unearned revenues
 Deposits payable
 Advances from the City of Moreno Valley (note 4)

Total Liabilities

Fund Balances:

Nonspendable:

Prepaid costs

Restricted for:

Special zones

Committed to:

Scholarship Program

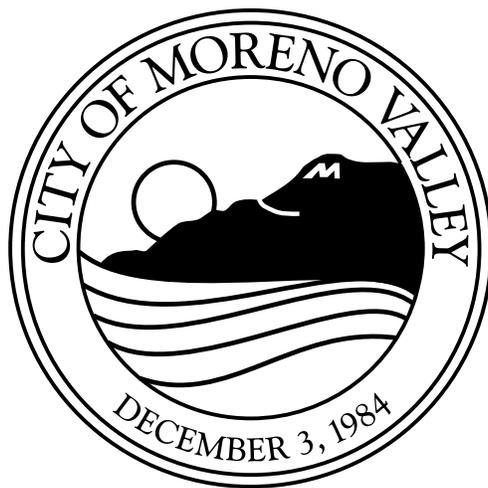
Total Fund Balances

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, 2012**

Fund balances of governmental funds	\$ 10,899,308
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	1,546,120
Depreciable capital assets, net of accumulated depreciation	<u>19,204,360</u>
Net assets of governmental activities	<u>\$ 31,649,788</u>



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

**Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2012**

	Special Revenue Funds		
	Zone L Library Services	Zone A Parks and Community Services	Zone E Extensive Landscaping Administration
Revenues:			
Taxes:			
Property taxes	\$ 1,349,972	\$ 1,672,009	\$ -
Other taxes	-	-	-
Intergovernmental	17,641	-	-
Charges for services	19,419	6,288,339	2,412,012
Use of money and property	-	605,582	108,369
Fines and forfeitures	50,220	-	-
Miscellaneous	22,725	54,208	6,982
Total Revenues	1,459,977	8,620,138	2,527,363
Expenditures:			
Current:			
Community and cultural	1,950,890	7,731,581	-
Public works	-	-	2,021,676
Capital outlay	-	80,118	-
Total Expenditures	1,950,890	7,811,699	2,021,676
Excess (Deficiency) of Revenues Over (Under) Expenditures	(490,913)	808,439	505,687
Other Financing Sources (Uses):			
Transfers from the City of Moreno Valley	346,800	307,500	-
Total Other Financing Sources (Uses)	346,800	307,500	-
Net Change in Fund Balances	(144,113)	1,115,939	505,687
Fund Balances, Beginning of Year	272,426	2,011,811	4,192,262
Fund Balances, End of Year	\$ 128,313	\$ 3,127,750	\$ 4,697,949

Special Revenue Funds

CFD #1	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 192,990	\$ 3,214,971
965,251	-	965,251
-	-	17,641
25,300	2,806,702	11,551,772
35,065	27,034	776,050
-	-	50,220
-	751	84,666
1,025,616	3,027,477	16,660,571
921,540	-	10,604,011
-	3,550,716	5,572,392
3,950	-	84,068
925,490	3,550,716	16,260,471
100,126	(523,239)	400,100
-	868,400	1,522,700
-	868,400	1,522,700
100,126	345,161	1,922,800
1,421,025	1,078,984	8,976,508
\$ 1,521,151	\$ 1,424,145	\$ 10,899,308

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

Public works

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, 2012**

Net change in fund balances - total governmental funds. \$ 1,922,800

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	84,068
Depreciation expense	(1,810,949)
Contributions from the City of Moreno Valley	1,486,005

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.

(5,109)

Change in net assets of governmental activities

\$ 1,676,815

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

**Zone L Library Services
Budgetary Comparison Statement
Year Ended June 30, 2012**

	<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	\$ 1,244,800	\$ 1,244,800	\$ 1,349,972	\$ 105,172
Intergovernmental	-	-	17,641	17,641
Charges for services	11,000	11,000	19,419	8,419
Fines and forfeitures	60,600	60,600	50,220	(10,380)
Miscellaneous	2,000	23,415	22,725	(690)
Total Revenues	<u>1,318,400</u>	<u>1,339,815</u>	<u>1,459,977</u>	<u>120,162</u>
Expenditures:				
Current:				
Community and cultural	1,966,376	2,016,462	1,950,890	65,572
Total Expenditures	<u>1,966,376</u>	<u>2,016,462</u>	<u>1,950,890</u>	<u>65,572</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(647,976)</u>	<u>(676,647)</u>	<u>(490,913)</u>	<u>185,734</u>
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	-	346,800	346,800	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>346,800</u>	<u>346,800</u>	<u>-</u>
Net Change in Fund Balances	<u>(647,976)</u>	<u>(329,847)</u>	<u>(144,113)</u>	<u>185,734</u>
Fund Balance, Beginning of Year	<u>272,426</u>	<u>272,426</u>	<u>272,426</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (375,550)</u></u>	<u><u>\$ (57,421)</u></u>	<u><u>\$ 128,313</u></u>	<u><u>\$ 185,734</u></u>

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

**Zone A Parks and Community Services
Budgetary Comparison Statement
Year Ended June 30, 2012**

	<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	\$ 1,695,100	\$ 1,695,100	\$ 1,672,009	\$ (23,091)
Charges for services	5,703,900	5,703,900	6,288,339	584,439
Use of money and property	500,000	500,000	605,582	105,582
Miscellaneous	26,500	26,500	54,208	27,708
Total Revenues	<u>7,925,500</u>	<u>7,925,500</u>	<u>8,620,138</u>	<u>694,638</u>
Expenditures:				
Current:				
Community and cultural	8,943,563	9,043,563	7,731,581	1,311,982
Capital outlay	-	146,417	80,118	66,299
Total Expenditures	<u>8,943,563</u>	<u>9,189,980</u>	<u>7,811,699</u>	<u>1,378,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,018,063)</u>	<u>(1,264,480)</u>	<u>808,439</u>	<u>2,072,919</u>
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	-	307,500	307,500	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>307,500</u>	<u>307,500</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,018,063)</u>	<u>(956,980)</u>	<u>1,115,939</u>	<u>2,072,919</u>
Fund Balance, Beginning of Year	<u>2,011,811</u>	<u>2,011,811</u>	<u>2,011,811</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 993,748</u></u>	<u><u>\$ 1,054,831</u></u>	<u><u>\$ 3,127,750</u></u>	<u><u>\$ 2,072,919</u></u>

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

**Zone E Extensive Landscaping Administration
Budgetary Comparison Statement
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Charges for services	\$ 2,436,238	\$ 2,436,238	\$ 2,412,012	\$ (24,226)
Use of money and property	70,000	70,000	108,369	38,369
Miscellaneous	12,000	12,000	6,982	(5,018)
Total Revenues	<u>2,518,238</u>	<u>2,518,238</u>	<u>2,527,363</u>	<u>9,125</u>
Expenditures:				
Current:				
Public works	2,735,475	2,371,105	2,021,676	349,429
Total Expenditures	<u>2,735,475</u>	<u>2,371,105</u>	<u>2,021,676</u>	<u>349,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(217,237)</u>	<u>147,133</u>	<u>505,687</u>	<u>358,554</u>
Net Change in Fund Balances	<u>(217,237)</u>	<u>147,133</u>	<u>505,687</u>	<u>358,554</u>
Fund Balance, Beginning of Year	<u>4,192,262</u>	<u>4,192,262</u>	<u>4,192,262</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 3,975,025</u></u>	<u><u>\$ 4,339,395</u></u>	<u><u>\$ 4,697,949</u></u>	<u><u>\$ 358,554</u></u>

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

**CFD #1
Budgetary Comparison Statement
Year Ended June 30, 2012**

	<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	\$ 1,000,000	\$ 1,000,000	\$ 965,251	\$ (34,749)
Charges for services	25,400	25,400	25,300	(100)
Use of money and property	16,000	16,000	35,065	19,065
Total Revenues	<u>1,041,400</u>	<u>1,041,400</u>	<u>1,025,616</u>	<u>(15,784)</u>
Expenditures:				
Current:				
Community and cultural	44,726	44,726	921,540	(876,814)
Capital outlay	100,000	100,000	3,950	96,050
Total Expenditures	<u>144,726</u>	<u>144,726</u>	<u>925,490</u>	<u>(780,764)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>896,674</u>	<u>896,674</u>	<u>100,126</u>	<u>(796,548)</u>
Net Change in Fund Balances	<u>896,674</u>	<u>896,674</u>	<u>100,126</u>	<u>(796,548)</u>
Fund Balance, Beginning of Year	<u>1,421,025</u>	<u>1,421,025</u>	<u>1,421,025</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,317,699</u></u>	<u><u>\$ 2,317,699</u></u>	<u><u>\$ 1,521,151</u></u>	<u><u>\$ (796,548)</u></u>

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

**Notes to Financial Statements
June 30, 2012**

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, 2012**

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 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 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.

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

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

**Notes to Financial Statements (Continued)
June 30, 2012**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The CFD #1 Special Revenue Fund has an excess of expenditures over appropriations of \$876,814 for the community and cultural function.

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 and Unearned Revenue

The District 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 District has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

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

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, 2012**

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, 2012**

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>\$12,676,249</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, 2012**

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 7/1/2011	Transfers	Additions	Deletions	Balances 6/30/2012
Non-depreciable Assets:					
Land	\$ 450,000	\$ -	\$ 329,584	\$ -	\$ 779,584
Construction in progress	362,604	(758,144)	1,162,076	-	766,536
Total Non-depreciable Assets	<u>812,604</u>	<u>(758,144)</u>	<u>1,491,660</u>	<u>-</u>	<u>1,546,120</u>
Depreciable Assets:					
Buildings and Improvements	48,960,419	688,732	-	-	49,649,151
Furniture and Equipment	1,669,764	69,412	31,996	-	1,771,172
Vehicles	529,503	-	46,417	-	575,920
Infrastructure	101,457	-	-	-	101,457
Total Depreciable Assets	<u>51,261,143</u>	<u>758,144</u>	<u>78,413</u>	<u>-</u>	<u>52,097,700</u>
Accumulated Depreciation:					
Buildings and Improvements	(29,420,319)	-	(1,781,812)	-	(31,202,131)
Furniture and Equipment	(1,157,035)	-	(15,959)	-	(1,172,994)
Vehicles	(499,703)	-	(9,622)	-	(509,325)
Infrastructure	(5,334)	-	(3,556)	-	(8,890)
Total Accumulated Depreciation	<u>(31,082,391)</u>	<u>-</u>	<u>(1,810,949)</u>	<u>-</u>	<u>(32,893,340)</u>
Total Depreciable Assets, Net of Depreciation	<u>20,178,752</u>	<u>758,144</u>	<u>(1,732,536)</u>	<u>-</u>	<u>19,204,360</u>
Total Capital Assets, Net of Depreciation	<u>\$ 20,991,356</u>	<u>\$ -</u>	<u>\$ (240,876)</u>	<u>\$ -</u>	<u>\$ 20,750,480</u>

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

Governmental Activities:
Community and cultural \$ 1,810,949

Note 4: Advances from the City of Moreno Valley

In the fiscal year 2010-11, 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, 2012**

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, 2012**

	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	\$ 330,648	\$ 171,831	\$ 641,308
Receivables:			
Accounts	-	36,726	-
Prepaid costs	-	-	319
Due from other governments	17,175	11,138	16,054
	\$ 347,823	\$ 219,695	\$ 657,681
Total Assets	\$ 347,823	\$ 219,695	\$ 657,681
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 92,854	\$ 54,393	\$ 42,668
Accrued liabilities	2,283	743	5,416
Advances from the City of Moreno Valley	51,700	-	-
	146,837	55,136	48,084
Total Liabilities	146,837	55,136	48,084
Fund Balances:			
Nonspendable:			
Prepaid costs	-	-	319
Restricted for:			
Special zones	200,986	164,559	609,278
	200,986	164,559	609,597
Total Fund Balances	200,986	164,559	609,597
Total Liabilities and Fund Balances	\$ 347,823	\$ 219,695	\$ 657,681

Special Revenue Funds

Zone M Median	Zone S Sunnymead Boulevard Maintenance	Total Nonmajor Funds
\$ 383,983	\$ 66,862	\$ 1,594,632
-	-	36,726
-	-	319
12,116	4,447	60,930
\$ 396,099	\$ 71,309	\$ 1,692,607
-	-	319
380,395	68,608	1,423,826
380,395	68,608	1,424,145
\$ 396,099	\$ 71,309	\$ 1,692,607

Assets:

Pooled cash and investments
 Receivables:
 Accounts
 Prepaid costs
 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:

Nonspendable:

Prepaid costs

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, 2012**

	Special Revenue Funds		
	Zone B Residential Street Lights Administration	Zone C Arterial Street Lights Administration	Zone D Standard Landscaping Administration
Revenues:			
Taxes:			
Property taxes	\$ 82,321	\$ 110,669	\$ -
Charges for services	940,473	472,875	1,136,708
Use of money and property	3,140	3,410	9,857
Miscellaneous	-	-	-
Total Revenues	1,025,934	586,954	1,146,565
Expenditures:			
Current:			
Public works	1,502,323	788,406	982,095
Total Expenditures	1,502,323	788,406	982,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	(476,389)	(201,452)	164,470
Other Financing Sources (Uses):			
Transfers from the City of Moreno Valley	675,000	90,000	-
Total Other Financing Sources (Uses)	675,000	90,000	-
Net Change in Fund Balances	198,611	(111,452)	164,470
Fund Balances, Beginning of Year	2,375	276,011	445,127
Fund Balances, End of Year	\$ 200,986	\$ 164,559	\$ 609,597

Special Revenue Funds		
	Zone S	
Zone M Median	Sunnymead Boulevard Maintenance	Total Nonmajor Funds
\$ -	\$ -	\$ 192,990
199,241	57,405	2,806,702
9,176	1,451	27,034
751	-	751
209,168	58,856	3,027,477
211,570	66,322	3,550,716
211,570	66,322	3,550,716
(2,402)	(7,466)	(523,239)
103,400	-	868,400
103,400	-	868,400
100,998	(7,466)	345,161
279,397	76,074	1,078,984
\$ 380,395	\$ 68,608	\$ 1,424,145

Revenues:

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

Total Revenues

Expenditures:

Current:
Public works

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, 2012**

	<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	\$ 94,200	\$ 94,200	\$ 82,321	\$ (11,879)
Charges for services	933,352	933,352	940,473	7,121
Use of money and property	-	-	3,140	3,140
Total Revenues	<u>1,027,552</u>	<u>1,027,552</u>	<u>1,025,934</u>	<u>(1,618)</u>
Expenditures:				
Current:				
Public works	1,617,800	1,617,800	1,502,323	115,477
Total Expenditures	<u>1,617,800</u>	<u>1,617,800</u>	<u>1,502,323</u>	<u>115,477</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(590,248)</u>	<u>(590,248)</u>	<u>(476,389)</u>	<u>113,859</u>
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	-	675,000	675,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>675,000</u>	<u>675,000</u>	<u>-</u>
Net Change in Fund Balances	<u>(590,248)</u>	<u>84,752</u>	<u>198,611</u>	<u>113,859</u>
Fund Balance, Beginning of Year	<u>2,375</u>	<u>2,375</u>	<u>2,375</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (587,873)</u></u>	<u><u>\$ 87,127</u></u>	<u><u>\$ 200,986</u></u>	<u><u>\$ 113,859</u></u>

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

**Zone C Arterial Street Lights Administration
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	<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	\$ 97,800	\$ 97,800	\$ 110,669	\$ 12,869
Charges for services	431,186	431,186	472,875	41,689
Use of money and property	4,500	4,500	3,410	(1,090)
Total Revenues	<u>533,486</u>	<u>533,486</u>	<u>586,954</u>	<u>53,468</u>
Expenditures:				
Current:				
Public works	894,300	894,300	788,406	105,894
Total Expenditures	<u>894,300</u>	<u>894,300</u>	<u>788,406</u>	<u>105,894</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(360,814)</u>	<u>(360,814)</u>	<u>(201,452)</u>	<u>159,362</u>
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	-	90,000	90,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Net Change in Fund Balances	<u>(360,814)</u>	<u>(270,814)</u>	<u>(111,452)</u>	<u>159,362</u>
Fund Balance, Beginning of Year	<u>276,011</u>	<u>276,011</u>	<u>276,011</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (84,803)</u></u>	<u><u>\$ 5,197</u></u>	<u><u>\$ 164,559</u></u>	<u><u>\$ 159,362</u></u>

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

**Zone D Standard Landscaping Administration
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,138,180	\$ 1,138,180	\$ 1,136,708	\$ (1,472)
Use of money and property	720	720	9,857	9,137
Total Revenues	1,138,900	1,138,900	1,146,565	7,665
Expenditures:				
Current:				
Public works	1,055,556	1,073,468	982,095	91,373
Total Expenditures	1,055,556	1,073,468	982,095	91,373
Excess (Deficiency) of Revenues Over (Under) Expenditures	83,344	65,432	164,470	99,038
Net Change in Fund Balances	83,344	65,432	164,470	99,038
Fund Balance, Beginning of Year	445,127	445,127	445,127	-
Fund Balance, End of Year	\$ 528,471	\$ 510,559	\$ 609,597	\$ 99,038

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

**Zone M Median
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 182,031	\$ 182,031	\$ 199,241	\$ 17,210
Use of money and property	-	-	9,176	9,176
Miscellaneous	-	-	751	751
Total Revenues	182,031	182,031	209,168	27,137
Expenditures:				
Current:				
Public works	250,743	250,743	211,570	39,173
Total Expenditures	250,743	250,743	211,570	39,173
Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,712)	(68,712)	(2,402)	66,310
Other Financing Sources (Uses)				
Transfers from the City of Moreno Valley	-	103,400	103,400	-
Total Other Financing Sources (Uses)	-	103,400	103,400	-
Net Change in Fund Balances	(68,712)	34,688	100,998	66,310
Fund Balance, Beginning of Year	279,397	279,397	279,397	-
Fund Balance, End of Year	\$ 210,685	\$ 314,085	\$ 380,395	\$ 66,310

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

**Zone S Sunnymead Boulevard Maintenance
Budgetary Comparison Schedule
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 53,295	\$ 53,295	\$ 57,405	\$ 4,110
Use of money and property	600	600	1,451	851
Total Revenues	53,895	53,895	58,856	4,961
Expenditures:				
Current:				
Public works	70,317	70,317	66,322	3,995
Total Expenditures	70,317	70,317	66,322	3,995
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,422)	(16,422)	(7,466)	8,956
Net Change in Fund Balances	(16,422)	(16,422)	(7,466)	8,956
Fund Balance, Beginning of Year	76,074	76,074	76,074	-
Fund Balance, End of Year	\$ 59,652	\$ 59,652	\$ 68,608	\$ 8,956



MORENO VALLEY
WHERE DREAMS SOAR