

THE CITY OF MORENO VALLEY
CALIFORNIA



POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015


MORENO VALLEY
WHERE DREAMS SOAR

VISION STATEMENT

To transform our young city into a mature community that offers its residents and businesses an unsurpassed quality of life featuring abundant recreation, desirable private and public services, varied residential living choices, and well-paying employment opportunities.

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

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THE CITY OF MORENO VALLEY

Once an infant among California cities, now an emerging giant within the ranks of national urban growth, the City of Moreno Valley is among the fastest growing cities in California. The City incorporated in December of 1984, and its population has almost tripled during its brief history. Moreno Valley represents one of the most dynamic economic market potentials in the nation.

ABOUT THIS REPORT

Our **Popular Annual Financial Report (PAFR)** for the fiscal year ended June 30, 2015 was prepared to provide readers of interest an easy to understand summary of our financial activities in an informative, balanced, and objective manner. The PAFR is a summary of the financial activities of the City of Moreno Valley and is drawn from information found in the 2015 **Comprehensive Annual Financial Report (CAFR)**. Both reports are available online at <http://www.moval.org>.

The information included in this report contains an overview of the City's economy and outlook, an analysis of the City's financial position and key financial information concerning the City's investments, capital assets and debt. This provides the reader an in-depth analysis of the **General Fund** and how the monies are received and spent.

It is important to note that the financial data in this report is unaudited, includes information exclusively on primary government funds and is presented on a non-GAAP (Generally Accepted Accounting Principles) basis. This means that it excludes discrete component unit and fiduciary fund information, contains condensed financial information and does not provide all of the necessary financial statements and note disclosures required by GAAP standards.

We hope you enjoy reading this report and invite you to access our audited **CAFR** online for more detailed information. We welcome your questions, comments and suggestions regarding the information of this report. You can contact us at the City of Moreno Valley, Financial & Management Services, at 14177 Frederick Street, Moreno Valley, CA 92552-0805, Tel. 951.413.3021, E-mail, Finance@moval.org.

THE GOVERNMENT

Moreno Valley is governed by a five-member elected City Council. There are also several Citizen Advisory Committees as well as Commissions and Boards to help guide the Council in its decisions.

The City of Moreno Valley provides a full range of services to its residents including police and fire services; utility services; employment resource services; affordable housing programs; parks and community services; and general governmental services.



MAYOR

Jesse L. Molina
District 1



MAYOR PRO TEM

Dr. Yxstian A. Gutierrez
District 4



COUNCIL MEMBER

Jeffrey J. Giba
District 2



COUNCIL MEMBER

George E. Price
District 3



COUNCIL MEMBER

D. LaDonna Jempson
District 5

CITY DEPARTMENTS

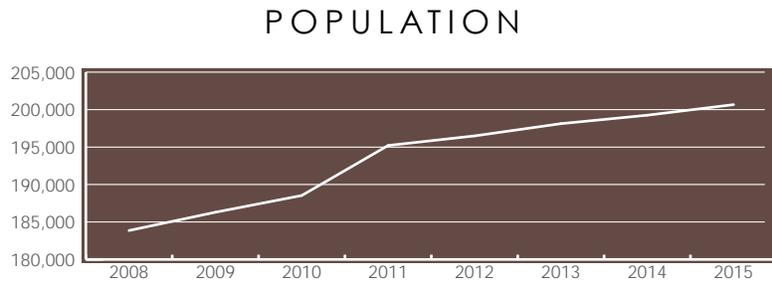
- CITY MANAGER
- ADMINISTRATIVE SERVICES
- CITY ATTORNEY
- CITY CLERK
- COMMUNITY DEVELOPMENT
- ECONOMIC DEVELOPMENT
- FINANCIAL & MANAGEMENT SERVICES
- FIRE
- PARKS & COMMUNITY SERVICES
- POLICE
- PUBLIC WORKS

DEMOGRAPHICS

- Number of households: 53,862
- Number of housing units: 58,040
- Number of businesses: 3,059
- New homes starting at: low \$300,000's
- Average household size: 3.74 persons
- Average family household income: \$62,315
- Average existing home value: \$186,313
- Ethnic composition: (2010 U.S. Census): Hispanic 54.4%; White 18.9%; African-American 17.2%; Pacific Islander/Asian-American 6.4%; Two or more races 2.6%; Other .2%

POPULATION

Moreno Valley's population increased to 200,670 in 2015, representing a 9.1% increase from 2008. The City's population is projected to increase to 216,450 by 2018.

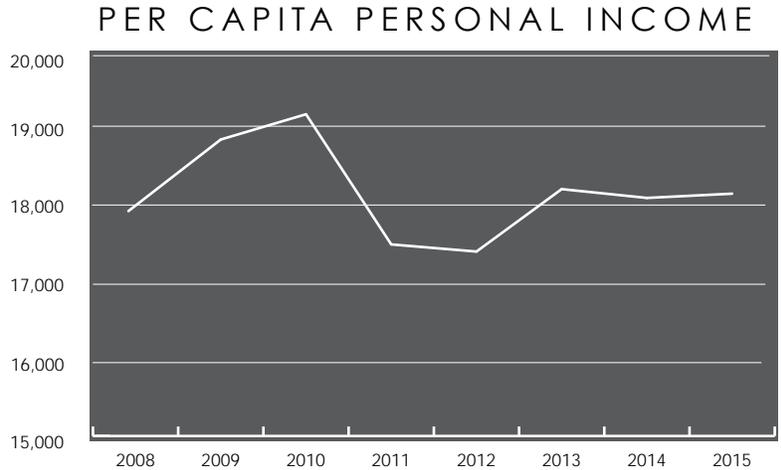


INCOME

Moreno Valley residents have emerged from the recession and are experiencing stabilized gains in income.

Moreno Valley estimated **total personal income** was \$3.65 million in 2015, representing an increase from a low point of \$3.42 million in 2008.

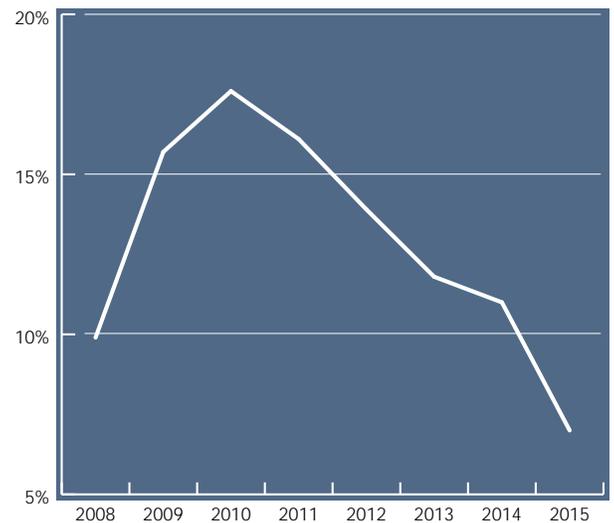
This equates to **\$18,186 per Capita Personal Income** in 2015 compared to its low point of \$17,425 per Capita Personal Income in 2012.



PRINCIPAL EMPLOYERS

PRINCIPAL EMPLOYERS	EMPLOYEES
March Air Reserve Base	8,500
Amazon.com, Inc.	7,500
Moreno Valley Unified School District	3,565
Riverside County Regional Medical Center	3,000
Ross Dress For Less/DD's Discount	1,921
Moreno Valley Mall (Excludes Major Tenants)	1,390
Procter & Gamble Co.	987
Harbor Freight Tools	800
Kaiser Permanente Community Hospital	772
iHerb, Inc.	750

UNEMPLOYMENT RATE



JOB CREATION

Current economic activity is in the commercial sector, with a specific focus on logistics/distribution centers and medical support businesses. The City Council approved an Economic Development Action Plan during FY 2010-11 that specifically focuses on these market sectors to rebuild the City's tax revenue base and promote job creation. Following this path the City Council recently approved the largest single industrial development project in California's history, the World Logistics Center which is a world class business park specifically designed to support the requirements of large global companies and their logistics operations. The impact of these and other actions by the City Council have had a positive influence on the unemployment rate in our City as we continue to experience a decrease. Creating employment opportunities and job growth is important to the continued development of the community and to the growth of the City's tax revenue base in the future.

EDUCATION

Moreno Valley has two public school districts: Moreno Valley Unified School District has 23 Elementary Schools, 6 Middle Schools, 4 Comprehensive High Schools, 1 Charter School, 1 Adult School, 1 Continuation School, 1 Community Day School, 1 Pre-School Head-Start and 1 Academic Center; 36,500 students enrolled. Val Verde Unified School District (includes Perris, Mead Valley and Moreno Valley) has 1 Pre-school, 13 Elementary Schools, 4 Middle Schools, 3 High Schools, 1 Continuation High School, with a total of 19,600 students enrolled. Moreno Valley College has approximately 10,000 students enrolled.

HIGHLIGHTS

AN UPGRADED CREDIT RATING WAS RECEIVED BY STANDARD & POORS FROM 'A' TO 'A POSITIVE' WITH A STABLE OUTLOOK. A KEY FACTOR IN ACHIEVING THE STRONGER RATING WAS DUE TO SUCCESSFULLY BALANCING THE CITY'S GENERAL FUND BUDGET.

THE ASSETS OF THE CITY OF MORENO VALLEY EXCEEDED ITS LIABILITIES AT JUNE 30, 2015 BY \$1.015 BILLION (NET POSITION).

IN THE CURRENT YEAR, THE CITY ADOPTED GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 68, ACCOUNTING AND FINANCIAL REPORTING FOR PENSION-AN AMENDMENT OF GASB STATEMENT NO. 27. AS A RESULT, THE REPORTED UNFUNDED NET PENSION LIABILITY IS \$53.8 MILLION.

THE GENERAL FUND HAD AN END OF YEAR FUND BALANCE OF \$43.4 MILLION. THIS WAS AN INCREASE OF \$2.8 MILLION, A 7.0% INCREASE OVER FISCAL YEAR 2013-14.

GLOSSARY OF TERMS

GOVERNMENTAL ACTIVITIES: Most of the City's basic services are included here, such as police, fire, public works, community development, parks and recreation, and general government. Taxes and both state and federal grants finance most of these activities.

BUSINESS-TYPE ACTIVITIES: Certain services provided by the City are funded by customer fees. The business-type activities of the City include the Electric Utility.

CURRENT AND OTHER ASSETS: Liquid assets of the City such as cash or receivables; assets that can be liquidated within a short period of time, usually one year.

NON-CURRENT ASSETS: Assets that cannot be converted to cash or liquidated in a short period of time such as Fixed/Capital Assets, Inventory, Restricted Assets, Deferred Charges, and the like.

CAPITAL ASSETS: The City's long-term investments in land, building, equipment, improvements, infrastructure, and construction in progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

DEFERRED INFLOWS OF RESOURCES: An acquisition of resources by the government that is applicable to a future reporting period.

DEFERRED OUTFLOWS OF RESOURCES: A consumption of resources by the government that is applicable to a future reporting period.

CURRENT LIABILITIES: City's debt and obligations that are due within a year such as accounts payable, payroll taxes, matured principal payments, and the like.

LONG-TERM DEBT/NON-CURRENT LIABILITIES: Debt and obligations of the City that are long-term, usually more than one year such as bonds payable, claims payable, and the like.

NET POSITION: This represents the difference between the City's total assets and liabilities.

NET INVESTMENT IN CAPITAL ASSETS: This represents the City's investment in its capital assets less accumulated depreciation and any outstanding debt attributable to the acquisition, construction, or improvement of these assets. It should be noted that the resources needed to repay this debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

RESTRICTED NET POSITION: Resources whose use is subject to externally imposed restrictions. The City has resources set aside for various purposes such as; debt services, public works projects, and community development projects as established by the City Council.

UNRESTRICTED NET POSITION: These are resources that are accessible to the City to provide services to the residents of Moreno Valley if there were no additional revenues or resources available.

CITY OF MORENO VALLEY'S NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	2014	2015	2014	2015	2014	2015
CURRENT AND OTHER ASSETS	\$250,639,421	\$242,486,484	\$10,195,969	\$12,783,987	\$260,835,390	\$255,270,471
CAPITAL ASSETS	894,985,355	907,163,980	35,960,105	38,374,437	930,945,460	945,538,417
TOTAL ASSETS	1,145,624,776	1,149,650,464	46,156,074	51,158,424	1,191,780,850	1,200,808,888
DEFERRED OUTFLOWS OF RESOURCES	-	4,795,102	-	123,311	-	4,918,413
CURRENT LIABILITIES	29,481,902	21,416,345	5,100,554	3,614,077	34,582,456	25,030,422
LONG-TERM LIABILITIES	74,445,550	128,961,194	27,322,104	28,468,624	101,767,654	157,429,818
TOTAL LIABILITIES	103,927,452	150,377,539	32,422,658	32,082,701	136,350,110	182,460,240
DEFERRED INFLOWS OF RESOURCES	-	7,580,582	-	194,942	-	7,775,524
NET INVESTED IN CAPITAL ASSETS	841,259,763	848,135,743	9,569,296	10,903,412	850,829,059	859,039,155
RESTRICTED	129,885,450	115,009,150	3,903,663	3,803,242	133,789,113	118,812,392
UNRESTRICTED	14,301,543	33,342,552	(1,149,816)	4,297,438	13,151,727	37,639,990
TOTAL NET POSITION	\$985,446,756	\$996,487,445	\$12,323,143	\$19,004,092	\$997,769,899	\$1,015,491,537

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Moreno Valley, net position as a whole increased by 1.8% from \$998 million at June 30, 2014 to \$1.015 billion at June 30, 2015. By far the largest portion of the city's net position (85.2%) is its net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net 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 General Fund is the chief operating fund of the City. At fiscal year ended June 30, 2015, the General Fund revenues, including transfers from other funds, exceeded its expenditures including transfers to other funds by \$2.8 million.

In the subsequent sections, we will look at the General Fund Revenues and Expenditures.

Property Tax: This is an ad valorem tax (based on value) imposed or assessed on real property (land and permanently attached improvements such as buildings) and personal (movable) property.

Sales Tax: City portion of California State consumption tax charged at the point of purchase for certain goods and services.

Utility Users Tax: UUTs in California are taxes that cities and counties are allowed, via election, to impose on the consumption of certain utility services. The utility users tax rate is 5.75%.

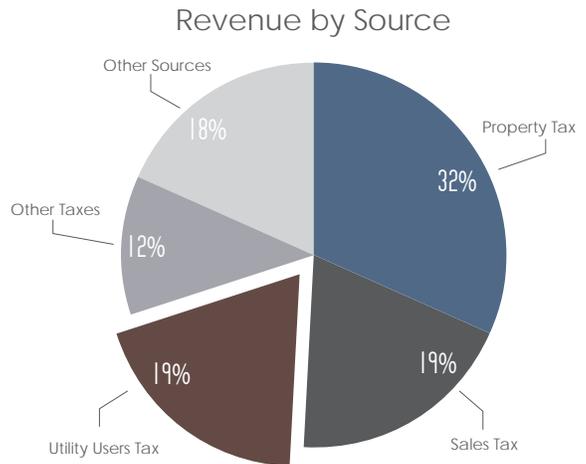
Other Taxes: This category accounts for other taxes in the City such as Transient Occupancy Tax, Franchise Tax, Property Transfer Tax, and the like.

GENERAL FUND REVENUES

REVENUE BY SOURCE	FY 2013	FY 2014	FY 2015
PROPERTY TAX	\$ 23,179,453	\$ 24,540,536	\$ 26,732,213
SALES TAX	14,043,560	15,887,129	16,130,340
UTILITY USERS TAX	15,683,931	15,595,141	16,138,202
OTHER TAXES	7,825,138	8,576,926	9,750,622
OTHER SOURCES	12,859,855	17,443,086	15,742,861
TOTAL REVENUE	\$ 73,591,937	\$ 82,042,818	\$ 84,494,238

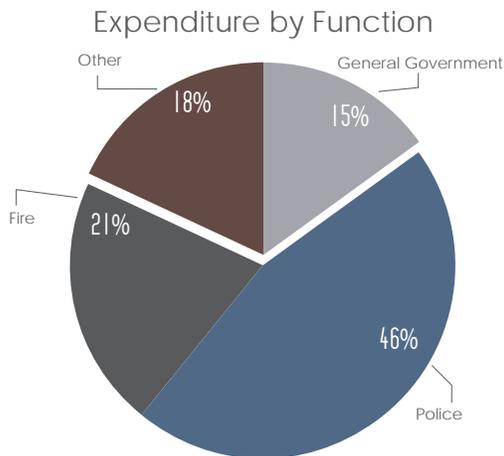
The revenue of the City's **General Fund** had an increase of \$2.4 million during the current fiscal year. This increase is primarily due to the following reasons:

- For Fiscal Year 2014-15, the property taxes increased to \$26,732,213, representing a 9% increase relative to last year.
- The sales tax was \$16,130,340 which was \$243,211 more than the prior year.
- Utilities Users Tax increased by \$543,061, representing a 3.5% increase.



GENERAL FUND EXPENDITURES

EXPENDITURE BY FUNCTION	FY 2013	FY 2014	FY 2015
GENERAL GOVERNMENT	\$ 11,370,282	\$ 11,249,491	\$ 12,260,219
POLICE	41,125,418	36,019,308	37,894,296
FIRE	16,230,769	16,545,718	16,745,698
OTHER	11,958,497	12,046,751	14,773,697
TOTAL EXPENDITURES	\$ 80,684,966	\$ 75,861,268	\$ 81,673,910



Overall, **General Fund Expenditures** increased by \$5.8 million in Fiscal Year 2014-15 compared to the prior year. This increase is primarily due to the following reasons:

- Expenditures in the general government, public safety, community development, and public works areas showed an increase. This was a result of increased services to the public.
- During fiscal year 2014-15 the General Fund transferred \$1 million to the Compensated Absence Fund to reduce future unfunded liabilities.

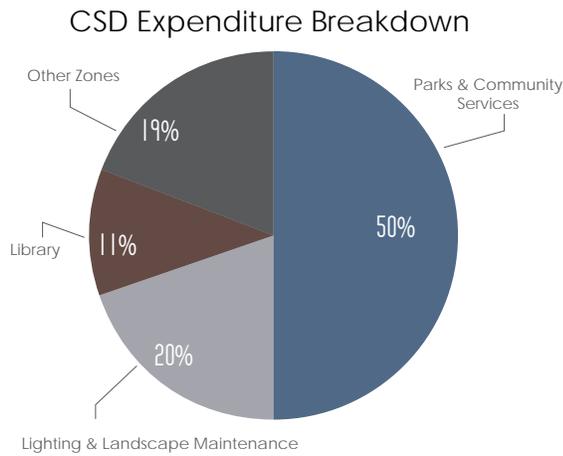
COMMUNITY SERVICES DISTRICT REVENUES AND EXPENDITURES

CSD REVENUES	FY 2013	FY 2014	FY 2015
TAXES	\$ 4,422,799	\$ 9,963,200	\$ 10,367,655
CHARGES FOR SERVICES	11,244,031	5,958,400	5,953,549
OTHER	2,290,703	3,177,577	2,858,029
TOTAL	17,957,533	19,099,157	19,179,233

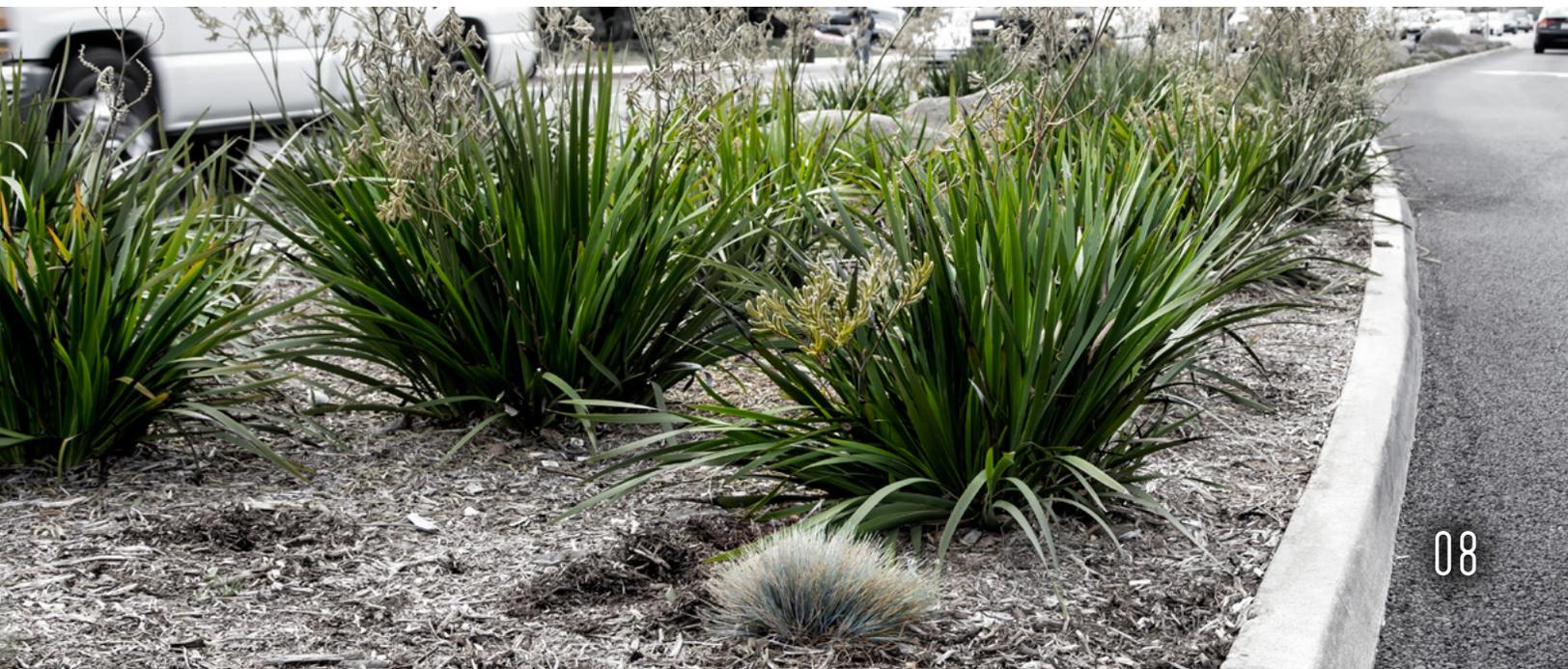
CSD EXPENDITURES	FY 2013	FY 2014	FY 2015
COMMUNITY AND CULTURAL	11,271,743	11,888,439	11,415,310
PUBLIC WORKS	5,349,478	5,760,298	5,303,858
OTHER	16,114	469,770	170,481
TOTAL	16,637,335	18,117,507	16,889,649

TOTAL NET POSITION	\$ 12,219,506	\$ 13,201,156	\$ 15,490,740
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CSD: A group of funds that are used to account for the revenues expended on the various **Community Services**. **Community Services District** is a component unit of the City of Moreno Valley.



There are nine Zones within the Community Services District providing services. **Zone A-Parks and Community Services** provides citywide park maintenance and recreation programming. **Lighting Maintenance District (LMD) 2014-01 - Resident Street Lighting** provides the funding for the operation and maintenance of residential subdivision street lighting. **Zone C-Arterial and Intersection Street Lighting** provides funding for the operation and maintenance of arterial and intersection street lighting. **Landscape Maintenance District (LMD) 2014-02, Zone D and Zone E** provide funding for the maintenance of public landscaping throughout the City. **Zone L-Library** services provides funding for library services to City residents. **Zone M-Medians** provides funding for the landscape maintenance of public medians within the city. **Community Facilities District (CFD) #1** provides funding for the maintenance of new parks, trails and class 1 bike-ways. **Zone S - Sunnymead Boulevard Maintenance** provides funding for the maintenance of certain landscape improvements along Sunnymead Boulevard.



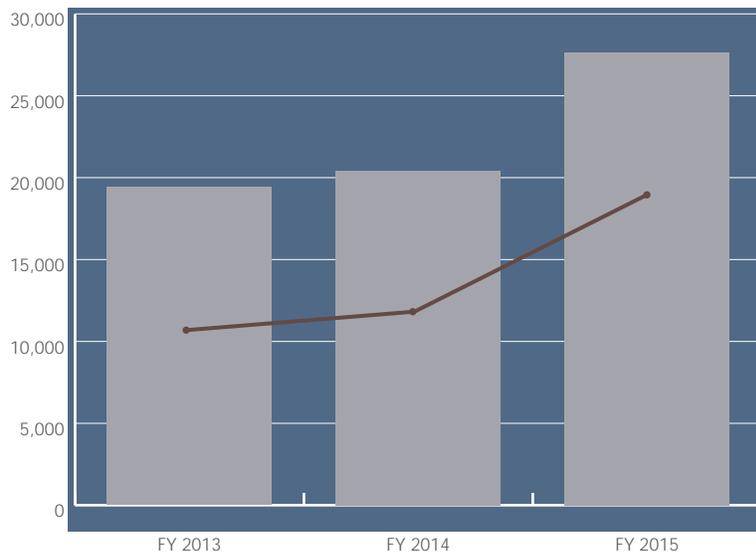


MORENO VALLEY ELECTRIC UTILITY

MVU REVENUE	FY 2013	FY 2014	FY 2015
SALES AND SERVICE CHARGES	\$ 19,098,088	\$ 20,213,736	\$ 27,678,542
MISCELLANEOUS	382,068	1,470,804	1,279,785
TOTAL	19,480,156	21,684,540	28,958,327

MVU EXPENDITURES	FY 2013	FY 2014	FY 2015
COST OF SERVICES	613,974	726,109	661,618
ELECTRICITY PURCHASED	9,573,589	10,200,721	10,877,963
OTHER	7,951,883	8,869,316	10,737,797
TOTAL	18,139,446	19,796,146	22,277,378

RESTATEMENT OF NET POSITION	-	(1,410,273)	-
TOTAL NET POSITION	\$ 11,845,022	\$ 12,323,143	\$ 19,004,092



Moreno Valley Electric Utility (MVU): This fund is an Enterprise 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.

- MVU REVENUE
- MVU TOTAL NET POSITION

INVESTMENT MANAGEMENT & FUNDS ALLOCATION

When allocating and managing the City's capital, key fundamental principles are internalized: **safety**, preserving the principal; **liquidity**, freeing up cash flows; and **yield**, generating high rate of return.

All investments comply with California Government Code Section 53601 as to the types of investments allowed and the limits of each type. In addition, all investments comply with the City Council's annual adopted Investment Policy which strengthens the City's risk management even further.

Not only is the City able to diversify its risk by investing in different asset classes, but it is also able to diversify its risk by bringing in other investment fund managers. These managers consist of Chandler Investment Management, Local Agency Investment Fund (LAIF), and Cutwater Investment.

By diversifying the City's investment portfolio and investment fund managers, the City is able to reduce its risk and volatility within its overall portfolio.

Diversification is achieved by investing the funds within the portfolio in different asset classes and in different industries. It is the responsibility of the Investment Fund Managers to allocate these funds according to the California Government Code and the City's annual adopted Investment Policy.

The **State Investment Pool** (Local Agency Investment Fund – LAIF) is a special fund of the **California State Treasury**, secured by the **full faith and credit of the State of California**, through which local agencies may pool investments.

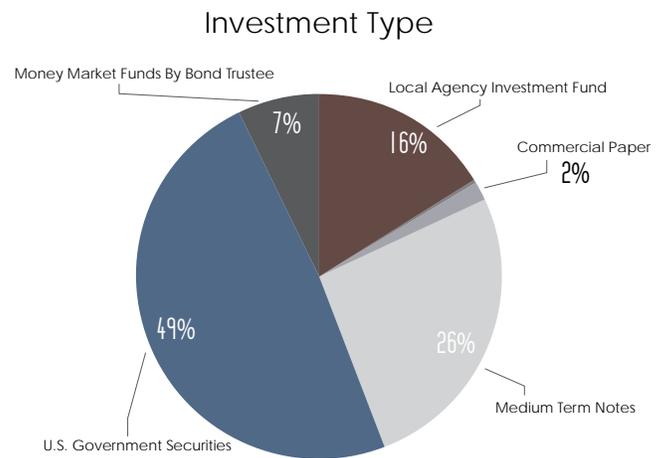
LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members in accordance with State statute. The State Treasurer's Office audits the fund annually.

Yield To Maturity (YTM): The rate of return on an investment or security if it were to be held until maturity. This yield does not reflect changes in the market value of a security.

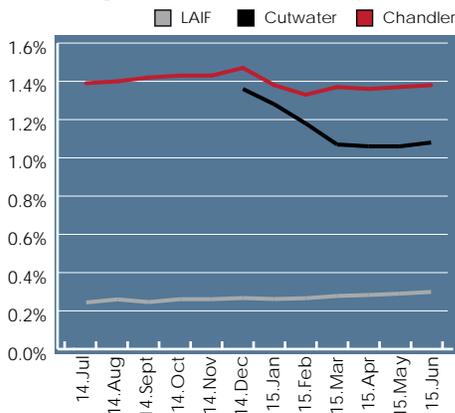
INVESTMENTS (IN THOUSANDS)

INVESTMENTS	AMOUNT
GOVERNMENT ACTIVITIES	\$157,556
BUSINESS-TYPE ACTIVITIES	9,914
FIDUCIARY FUNDS	9,697
TOTAL	\$177,538

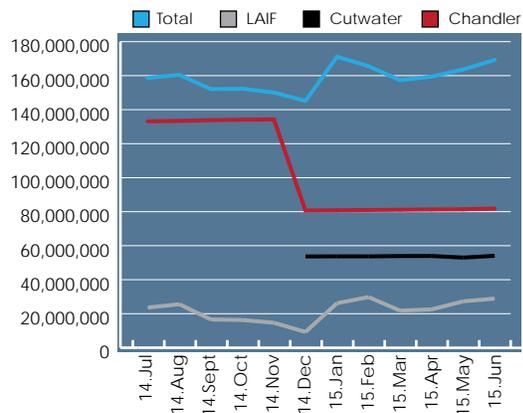
INVESTMENT TYPE	AMOUNT
LOCAL AGENCY INVESTMENT FUND	\$28,867
MONEY MARKET FUND	244
COMMERCIAL PAPER	3,043
MEDIUM TERM NOTES	46,278
U.S. GOVERNMENT SECURITIES	86,667
MONEY MARKET FUNDS BY BOND TRUSTEE	12,439
TOTAL	\$177,538



Average Yield to Maturity Trend



Total Portfolio Balance Trend



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CITY OF MORENO VALLEY, FINANCIAL & MANAGEMENT SERVICES
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