

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2015 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015 Bonds. See "TAX MATTERS."

**\$10,430,000**

**MORENO VALLEY PUBLIC FINANCING AUTHORITY  
LEASE REVENUE BONDS, SERIES 2015 (TAXABLE)**

**Dated: Date of Delivery**

**Due: November 1, as shown on inside front cover page**

The Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable) (the "Series 2015 Bonds") are payable from base rental payments (the "Base Rental Payments") to be made by the City of Moreno Valley (the "City") to the Moreno Valley Public Financing Authority (the "Authority") for the right to use certain real property (collectively, the "Property") pursuant to a Master Facilities Sublease, dated as of December 1, 2015 (the "Facilities Sublease"), by and between the City, as sublessee, and the Authority, as sublessor. See the captions "THE PROPERTY" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS."

The Series 2015 Bonds are being issued to provide funds: (i) to finance certain capital improvements of the City; (ii) to purchase a municipal bond insurance policy (the "Policy") from Assured Guaranty Municipal Corp. ("AGM") to guarantee the payment of principal of and interest on the Series 2015 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the "Reserve Policy") from AGM for deposit in the Reserve Fund for the Series 2015 Bonds; and (iv) to pay the costs incurred in connection with the issuance of the Series 2015 Bonds. See the captions "THE FINANCING PLAN" and "SOURCES AND USES OF FUNDS." The City has covenanted under the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The City's obligation to make Base Rental Payments is subject to abatement during any period in which by reason of any material damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. See the caption "RISK FACTORS—Abatement."

The Series 2015 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2015 Bonds is payable semiannually on each May 1 and November 1, commencing May 1, 2016. Purchasers will not receive certificates representing their interest in the Series 2015 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2015 Bonds will be paid by Wells Fargo Bank, National Association, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants, who are obligated to remit such payments to the Beneficial Owners of the Series 2015 Bonds. See the caption "THE SERIES 2015 BONDS—Book-Entry Only System."

The Series 2015 Bonds will be issued pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the "Trust Agreement"), by and among the City, the Authority and the Trustee. The Series 2015 Bonds and any additional bonds issued pursuant to the Trust Agreement ("Additional Bonds") are collectively referred to as the "Bonds."

*The Series 2015 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity and extraordinary redemption from insurance or condemnation proceeds as described herein. See the caption "THE SERIES 2015A BONDS—Redemption."*

**The Series 2015 Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues described herein, and the Authority is not obligated to pay them except from the Revenues. All of the Series 2015 Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Series 2015 Bonds as provided herein.**

**The Series 2015 Bonds are not a debt of the City, the State of the California (the "State") or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2015 Bonds be payable out of any funds or properties other than those of the Authority as described herein. The Series 2015 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.**

The scheduled payment of principal of and interest on the Series 2015 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2015 Bonds by ASSURED GUARANTY MUNICIPAL CORP.



THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

*The Series 2015 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by Quintanilla & Associates, A Professional Corporation, Interim City Attorney and interim counsel to the Authority, for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Trustee by its counsel. It is anticipated that the Series 2015 Bonds will be available for delivery through the facilities of DTC on or about December 10, 2015.*

**STIFEL**

**\$10,430,000**  
**MORENO VALLEY PUBLIC FINANCING AUTHORITY**  
**LEASE REVENUE BONDS, SERIES 2015 (TAXABLE)**

**MATURITY SCHEDULE**

**BASE CUSIP<sup>®†</sup>: 61685P**

| <b><u>Maturity Date</u></b><br><b><u>(November 1)</u></b> | <b><u>Principal Amount</u></b> | <b><u>Interest Rate</u></b> | <b><u>Yield</u></b> | <b><u>Price</u></b> | <b><u>CUSIP<sup>®†</sup></u></b> |
|---|--------------------------------|-----------------------------|---------------------|---------------------|----------------------------------|
| 2016  | \$175,000                      | 1.250%                      | 1.370%              | 99.893              | CX4                              |
| 2017  | 200,000                        | 1.750                       | 1.870               | 99.777              | CY2                              |
| 2018  | 205,000                        | 2.250                       | 2.330               | 99.776              | CZ9                              |
| 2019  | 210,000                        | 2.625                       | 2.720               | 99.649              | DA3                              |
| 2020  | 215,000                        | 3.000                       | 3.020               | 99.907              | DB1                              |
| 2021  | 220,000                        | 3.125                       | 3.260               | 99.279              | DC9                              |
| 2022  | 225,000                        | 3.375                       | 3.510               | 99.177              | DD7                              |
| 2023  | 235,000                        | 3.625                       | 3.740               | 99.217              | DE5                              |
| 2024  | 240,000                        | 3.750                       | 3.890               | 98.953              | DF2                              |
| 2025  | 250,000                        | 4.000                       | 4.040               | 99.673              | DG0                              |
| 2026  | 260,000                        | 4.000                       | 4.140               | 98.779              | DH8                              |
| 2027  | 270,000                        | 4.125                       | 4.240               | 98.930              | DJ4                              |
| 2028  | 285,000                        | 4.250                       | 4.340               | 99.114              | DK1                              |
| 2029  | 295,000                        | 4.250                       | 4.440               | 98.041              | DL9                              |
| 2030  | 305,000                        | 4.375                       | 4.540               | 98.223              | DM7                              |

\$1,760,000 4.750% Term Series 2015 Bond due November 1, 2035 – Yield 4.800%, Price: 99.359, CUSIP<sup>®†</sup>: DN5  
\$5,080,000 5.000% Term Series 2015 Bond due November 1, 2045 – Yield 5.000%, Price: 100.000, CUSIP<sup>®†</sup>: DP0

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**CITY OF MORENO VALLEY**  
**MAYOR AND MEMBERS OF THE CITY COUNCIL**

Jesse L. Molina, Mayor  
Dr. Yxstian Gutierrez, Mayor Pro Tem  
Jeffrey J. Giba, Councilmember  
George E. Price, Councilmember  
D. LaDonna Jempson, Councilmember

**MORENO VALLEY PUBLIC FINANCING AUTHORITY**

Jesse L. Molina, Chair  
Dr. Yxstian Gutierrez, Vice Chair  
Jeffrey J. Giba, Boardmember  
George E. Price, Boardmember  
D. LaDonna Jempson, Boardmember

**STAFF**

Michelle Dawson, City Manager/Authority Executive Director  
Richard Teichert, Chief Financial Officer/Authority Treasurer  
Brooke McKinney, Treasury Operations Division Manager  
Ahmad R. Ansari, City Public Works Director/City Engineer  
Jane Halstead, City Clerk/Authority Secretary

**SPECIAL SERVICES**

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP  
Los Angeles, California

**Interim City Attorney/Interim Authority Counsel**

Quintanilla & Associates, A Professional Corporation  
Rancho Mirage, California

**Financial Advisor**

Fieldman Rolapp & Associates, Inc.  
Irvine, California

**Trustee**

Wells Fargo Bank, National Association  
Los Angeles, California

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No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2015 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions "CITY FINANCIAL INFORMATION" and "RISK FACTORS."

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.**

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2015 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT A LEVEL ABOVE THAT**

WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2015 BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2015 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

*The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2015 Bonds.*

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the caption “BOND INSURANCE” and in Appendix G—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

**\$10,430,000**  
**MORENO VALLEY PUBLIC FINANCING AUTHORITY**  
**LEASE REVENUE BONDS, SERIES 2015 (TAXABLE)**

## INTRODUCTION

### **General**

This Official Statement, which includes the cover page, the inside cover page and the appendices hereto (the “Official Statement”), provides certain information concerning the sale and delivery of the \$10,430,000 aggregate principal amount of Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable) (the “Series 2015 Bonds”). The Series 2015 Bonds are being issued by the Moreno Valley Public Financing Authority (the “Authority”) pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the “Trust Agreement”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

The net proceeds of the sale of the Series 2015 Bonds will be used: (i) to finance certain capital improvements of the City (the “Project”); (ii) to purchase a municipal bond insurance policy (the “Policy”) from Assured Guaranty Municipal Corp. (“AGM”) to guarantee the payment of principal of and interest on the Series 2015 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the “Reserve Policy”) from AGM for deposit in the Reserve Fund for the Series 2015 Bonds; and (iv) to pay the costs incurred in connection with the issuance of the Series 2015 Bonds. See the captions “THE FINANCING PLAN,” “BOND INSURANCE” and “SOURCES AND USES OF FUNDS.”

### **Security for the Series 2015 Bonds**

Pursuant to a Master Facilities Lease, dated as of December 1, 2015 (the “Facilities Lease”), by and between the City of Moreno Valley (the “City”) and the Authority, the City has leased certain real property and improvements owned by the City (collectively, the “Property”) to the Authority in consideration for the Authority’s assistance in issuing the Series 2015 Bonds.

Pursuant to a Master Facilities Sublease, dated as of December 1, 2015 (the “Facilities Sublease”), by and between the City, as sublessee, and the Authority, as sublessor, the Authority has subleased the Property back to the City in consideration for the payment of rental payments (the “Base Rental Payments”) to be made by the City for the right to use the Property.

The Series 2015 Bonds are equally and ratably payable from: (i) the Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Sublease (but not including Additional Payments as described herein); and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement or the Facilities Sublease (collectively, the “Revenues”). The Authority has assigned its right, title and interest in the Base Rental Payments and its right to enforce remedies under the Facilities Sublease to the Trustee as security for the payment of the Series 2015 Bonds.

Pursuant to the Trust Agreement, the Authority may issue additional bonds (the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2015 Bonds (the Series 2015 Bonds and any such Additional Bonds being collectively referred to as the “Bonds”). See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Bonds.”

The City has covenanted in the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement as described in this Official Statement.

Revenues of the City's electric utility (the "Electric Utility") are not pledged as security for the Series 2015 Bonds. However, net revenues of the Electric Utility (revenues remaining after payment of operation and maintenance costs thereof and debt service obligations with respect thereto) are available to pay Base Rental Payments, and the City currently expects to pay all or a portion of Base Rental Payments from such net revenues of the Electric Utility. Notwithstanding the foregoing, the City makes no assurances regarding the amount of net revenues of the Electric Utility or the availability of net revenues of the Electric Utility to pay Base Rental Payments.

The Base Rental Payments and Additional Payments will be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation, which is provided for in the Facilities Sublease) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. See the caption "RISK FACTORS—Abatement." Abatement of Base Rental Payments under the Facilities Sublease, to the extent that payment is not made from alternative sources as described in this Official Statement, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent that proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE SERIES 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL OF THE SERIES 2015 BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2015 BONDS AS PROVIDED HEREIN.

THE SERIES 2015 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF THE CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2015 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED HEREIN. THE SERIES 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

### **Book-Entry Only System**

The Series 2015 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2015 Bonds is payable semiannually on each May 1 and November 1, commencing May 1, 2016. Purchasers will not receive certificates representing their interest in the Series 2015 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest on the Series 2015 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which are obligated to remit such payments to the Beneficial Owners of the Series 2015 Bonds. See the caption "THE SERIES 2015 BONDS—Book-Entry Only System."

### **Redemption**

The Series 2015 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity and extraordinary redemption from insurance or condemnation proceeds as described herein. See the caption "THE SERIES 2015A BONDS—Redemption."

## **Bond Insurance**

Payment of the principal of and interest on the Series 2015 Bonds will be insured by the Policy to be issued by AGM concurrently with the issuance of the Series 2015 Bonds. See the caption “BOND INSURANCE.”

## **Reserve Fund**

A Reserve Fund for the Bonds has been established pursuant to the Trust Agreement. AGM has committed to issue, concurrently with the issuance of the Series 2015 Bonds, the Reserve Policy for the benefit of the Series 2015 Bonds in the initial principal amount of \$661,081.26, which constitutes the Reserve Fund Requirement. The Reserve Policy will be deposited in the Reserve Fund. Neither the Authority nor the City are obligated: (i) to make any additional deposits into the Reserve Fund in the event that AGM defaults on its obligation to make payments under the Reserve Policy; or (ii) to replace the Reserve Policy in the event of a rating downgrade of AGM. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Reserve Fund.”

## **Legal Matters**

Wells Fargo Bank, National Association, Los Angeles, California, will act as Trustee with respect to the Series 2015 Bonds. The Series 2015 Bonds will be issued subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by Quintanilla & Associates, A Professional Corporation, Interim City Attorney and interim counsel to the Authority, for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Trustee by its counsel.

## **Miscellaneous**

The City’s financial statements for the fiscal year of the City ended June 30, 2014 (each fiscal year of the City ended June 30, a “Fiscal Year”) included as Appendix B hereto have been audited by Lance, Soll & Lunghard, LLP, Certified Public Accountants, Brea, California (the “Auditor”). The City’s financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See the caption “RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2015 Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2016, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries or references to the Trust Agreement, the Facilities Lease, the Facilities Sublease and other documents, agreements and statutes referred to herein, and the description of the Series 2015 Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement and not otherwise defined have the meanings set forth in Appendix A.

Changes have been made to this Official Statement since the Preliminary Official Statement dated November 11, 2015 under the caption “BOND INSURANCE—Assured Guaranty Municipal Corp.” to reflect updated disclosures relating to AGM.

## THE SERIES 2015 BONDS

### General

The Series 2015 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2015 Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2015 Bonds will be paid semiannually on each May 1 and November 1, commencing May 1, 2016 (each, an “Interest Payment Date”).

The Series 2015 Bonds will bear interest from the Interest Payment Date next preceding the date of registration thereof, unless such date of registration is an Interest Payment Date, in which event they will bear interest from such date, or unless such date of registration is prior to the first Interest Payment Date, in which event they will bear interest from their dated date. Payment of interest on the Series 2015 Bonds due on or before the maturity or prior redemption thereof will be paid by check mailed by first class mail on each Interest Payment Date to the person in whose name the Series 2015 Bond is registered as of the applicable Record Date for such Interest Payment Date at the address shown on the registration books maintained by the Trustee pursuant to the Trust Agreement; provided, however, that interest on any Series 2015 Bonds will be paid by wire transfer or other means to provide immediately available funds to any Holder of at least \$1,000,000 in aggregate principal amount of such Series 2015 Bonds, at its option, according to wire instructions to an account within the United States of America given to the Trustee in writing for such purpose and on file prior to the applicable Record Date preceding the Interest Payment Date.

Interest on any Series 2015 Bond will cease to accrue: (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the Redemption Price thereof, plus interest accrued thereon to such date. The Holder of such Series 2015 Bond is not entitled to any other payment, and such Series 2015 Bond will no longer be Outstanding and entitled to the benefits of the Trust Agreement, except for the payment of the principal amount or Redemption Price, of such Series 2015 Bond, as appropriate, from moneys held by the Trustee for such payment.

The principal of the Series 2015 Bonds will be payable by check in lawful money of the United States of America at the Principal Office of the Trustee. No payment of principal will be made on any Series 2015 Bond unless and until such Series 2015 Bond is surrendered to the Trustee for cancellation.

### Redemption

**Optional Redemption.** The Series 2015 Bonds maturing on and after November 1, 2021 are subject to optional redemption prior to their stated Principal Payment Dates, on any date on or after November 1, 2020, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Facilities Sublease, any such prepayment to be at a Redemption Price equal to the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium.

**Mandatory Sinking Fund Redemption.** The Series 2015 Bonds with a stated Principal Payment Date of November 1, 2035 are subject to redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a Redemption Price equal to the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest thereon to the Redemption

Date, without premium. The principal of such Series 2015 Bonds to be so redeemed and the dates therefor will be as follows:

| <b>Mandatory Sinking Fund Payment Date<br/>(November 1)</b> | <b>Principal<br/>Amount</b> |
|---|-----------------------------|
| 2031  | \$320,000                   |
| 2032  | 335,000                     |
| 2033  | 350,000                     |
| 2034  | 370,000                     |
| 2035*   | 385,000                     |

\* Final Maturity.

The Series 2015 Bonds with a stated Principal Payment Date of November 1, 2045 are subject to redemption prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a Redemption Price equal to the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date, without premium. The principal of such Series 2015 Bonds to be so redeemed and the dates therefor will be as follows:

| <b>Mandatory Sinking Fund Payment Date<br/>(November 1)</b> | <b>Principal<br/>Amount</b> |
|---|-----------------------------|
| 2036  | \$405,000                   |
| 2037  | 425,000                     |
| 2038  | 445,000                     |
| 2039  | 470,000                     |
| 2040  | 490,000                     |
| 2041  | 515,000                     |
| 2042  | 540,000                     |
| 2043  | 570,000                     |
| 2044  | 595,000                     |
| 2045*   | 625,000                     |

\* Final Maturity.

The amount of each such redemption will be reduced proportionately in the event and to the extent of any and all redemptions of Series 2015 Bonds with a stated Principal Payment Date of November 1, 2035 and November 1, 2045, respectively, pursuant to any provision of the Trust Agreement other than redemptions made pursuant to the mandatory sinking fund redemption provisions of the Trust Agreement.

***Extraordinary Redemption from Condemnation Award or Insurance Proceeds.*** The City will prepay on any date from insurance and eminent domain proceeds, to the extent provided in the Facilities Sublease (provided, however, that in the event of partial damage to or destruction of the Property caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Property, such proceeds will be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Property, pursuant to the procedure set forth in the Facilities Sublease for proceeds of insurance), all or any part (in an integral multiple of \$5,000 principal component) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which are payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date,

at a prepayment amount equal to the principal of and interest on the Series 2015 Bonds to the date of redemption of the Series 2015 Bonds.

The Series 2015 Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Trust Agreement, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations, from prepayments from insurance and eminent domain proceeds made by the City pursuant to the Facilities Sublease (as described in the preceding paragraph), at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date. Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee will select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds which are payable after such Redemption Date will be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such Redemption Date.

***Selection of Bonds for Redemption.*** If less than all Outstanding Series 2015 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee will select the Series 2015 Bonds of such maturity date to be redeemed at random and promptly notify the Authority in writing of the numbers of the Series 2015 Bonds so selected for redemption. For purposes of such selection, Series 2015 Bonds will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event that Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption, and in the absence of such Authority designation such redemptions will be allocated in inverse order of Mandatory Sinking Account Payment Dates.

***Notice of Redemption; Cancellation.*** Notice of redemption will be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to: (i) the respective Bondholders of the Series 2015 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) the Securities Depositories; and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail or overnight delivery or facsimile transmission or by such other method acceptable to such institutions. Each notice of redemption will state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2015 Bonds of such maturity, to be redeemed and, in the case of Series 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2015 Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2015 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice will not invalidate any of the proceedings taken in connection with such redemption.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee will mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

All Series 2015 Bonds redeemed pursuant to the provisions of the Trust Agreement will be cancelled by the Trustee and destroyed with a certificate of destruction furnished to the Authority upon its request and will not be reissued.

***Effect of Notice of Redemption.*** If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2015 Bonds called for redemption is held by the Trustee,

then on the redemption date designated in such notice Series 2015 Bonds so called for redemption become due and payable, and from and after the date so designated interest on such Series 2015 Bonds cease to accrue, and the Bondholders of such Series 2015 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

### **Book-Entry Only System**

**General.** DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2015 Bond will be issued for each maturity of the Series 2015 Bonds, each in the initial aggregate principal amount of such maturity, will be deposited with DTC and will be available to actual purchasers of the Series 2015 Bonds (the "Beneficial Owners") in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2015 Bonds. See Appendix E for further information with respect to DTC and its book-entry only system.

**Transfer and Exchange of Bonds.** The following provisions regarding the exchange and transfer of the Series 2015 Bonds apply only during any period in which the Series 2015 Bonds are not subject to DTC's book-entry system. While the Series 2015 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Series 2015 Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2015 Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Series 2015 Bond or Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Series 2015 Bond or Bonds of the same Series and maturity for a like aggregate principal amount of Authorized Denominations. The Trustee will require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Authority and the Trustee may, except as otherwise provided in the Trust Agreement, deem and treat the registered owner of any Series 2015 Bond as the absolute owner of such Series 2015 Bond for the purpose of receiving payment thereof and for all other purposes, whether such Series 2015 Bond is overdue or not, and neither the Authority nor the Trustee will be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Series 2015 Bond will be made only to such registered owner, which payments will be valid and effectual to satisfy and discharge liability on such Series 2015 Bond to the extent of the sum or sums so paid.

The Trustee is not required to register the transfer of or exchange any Series 2015 Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2015 Bond selected for redemption in whole or in part as provided in the Trust Agreement or during the period established by the Trustee for selection of Series 2015 Bonds for redemption.

Series 2015 Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Series 2015 Bonds of the same Series and maturity of other authorized denominations. The Trustee will require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee is not required to exchange any Series 2015 Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Series 2015 Bond selected for redemption in whole or in part as provided in the Trust Agreement or during the period established by the Trustee for selection of Series 2015 Bonds for redemption.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS**

### **Pledge of Revenues**

The Series 2015 Bonds are equally and ratably payable from and secured by the Revenues, which consist of: (i) the Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Sublease (but not including Additional Payments as described below); and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement or the Facilities Sublease.

Base Rental Payments will be paid by the City from any and all legally available funds. See the captions “THE CITY,” “CITY FINANCIAL INFORMATION” and “RISK FACTORS.” The City has covenanted in the Facilities Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement as described in this Official Statement.

Revenues of the Electric Utility are not pledged as security for the Series 2015 Bonds. However, net revenues of the Electric Utility (revenues remaining after payment of operation and maintenance costs thereof and debt service obligations with respect thereto) are available to pay Base Rental Payments, and the City currently expects to pay all or a portion of Base Rental Payments from such net revenues of the Electric Utility. Notwithstanding the foregoing, the City makes no assurances regarding the amount of net revenues of the Electric Utility or the availability of net revenues of the Electric Utility to pay Base Rental Payments.

The Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2015 Bonds. See the caption “—Additional Bonds.”

All Revenues, any other amounts (including proceeds of the sale of the Series 2015 Bonds) held by the Trustee in any fund or account established under the Trust Agreement and any other amounts (excluding Additional Payments) received by the Authority in respect of the Property have been irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Series 2015 Bonds as provided in the Trust Agreement, and the Revenues and other amounts pledged thereunder may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted thereunder. Such pledges constitutes a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established thereunder for the payment of the interest on and principal of the Series 2015 Bonds in accordance with the terms thereof.

Pursuant to the Trust Agreement, the Authority has assigned its right, title and interest in the Base Rental Payments and its right to enforce remedies under the Facilities Sublease to the Trustee as security for the payment of the Series 2015 Bonds. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See the caption “—Base Rental Payments” below.

**THE SERIES 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL OF THE SERIES 2015 BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE SERIES 2015 BONDS AS PROVIDED HEREIN.**

THE SERIES 2015 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE SERIES 2015 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS DESCRIBED HEREIN. THE SERIES 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

### **Base Rental Payments**

Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Payment Period for which such Base Rental Payments are to be paid. The Base Rental Payments are due and payable on October 25 and April 25 in the amounts set forth in the Facilities Sublease and are for the use and occupancy of the Property during the one-year period ending on the 1st day of each November. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Revenue Fund established under the Trust Agreement.

Pursuant to the Trust Agreement, all money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which has been created and each of which the Authority has covenanted and agreed to cause to be maintained) in the following order of priority: (1) Interest Account; and (2) Principal Account.

All money in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement. On each Principal Payment Date, following payment of principal of and interest on the Series 2015 Bonds, any excess amount on deposit in the Revenue Fund will be returned to the City as an excess of Base Rental Payments.

**Interest Account.** On or before each Interest Payment Date, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2015 Bonds as it becomes due and payable (including accrued interest on any Series 2015 Bonds purchased or redeemed prior to maturity).

**Principal Account.** On or before each November 1, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such November 1, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such November 1. No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Series 2015 Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such November 1 plus the aggregate amount of all sinking fund payments required to be made on such November 1 for all Outstanding Term Bonds. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2015 Bonds as it becomes due and payable, whether at maturity or redemption, except that any money in any Sinking Account created under the Trust Agreement will be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

Scheduled Base Rental Payments relating to the Series 2015 Bonds are set forth below under the caption "BASE RENTAL PAYMENT SCHEDULE."

## **Additional Payments**

For the right to use and occupy the Property, the Facilities Sublease requires the City to pay, as Additional Payments thereunder, in addition to the Base Rental Payments, such amounts as are required for the payment all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facilities Sublease or any assignment thereof, the Trust Agreement, the Authority's interest in the Property and the lease of the Property to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Series 2015 Bonds, the Property, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement, other amounts due and owing AGM as set forth in the Facilities Sublease, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Series 2015 Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Series 2015 Bonds.

Such Additional Payments will be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed will be paid by the City within 60 days after receipt of the bill by the City. The City reserves the right to audit billings for Additional Payments although exercise of such right will in no way affect the duty of the City to make full and timely payment for all Additional Payments.

The Authority may in the future issue bonds to finance facilities, and may in the future enter into leases with respect to other facilities. The administrative costs of the Authority will be allocated among such other facilities and the Property as provided below. The fees of the Trustee under the Trust Agreement, and any other expenses directly attributable to the Property will be included in the Additional Payments payable under the Facilities Sublease. The fees of any trustee or paying agent under any indenture securing bonds of the Authority or any trust agreement other than the Trust Agreement, and any other expenses directly attributable to any facilities other than the Property, will not be included in the administrative costs of the Property, and will not be paid from the Additional Payments payable under the Facilities Sublease. Any expenses of the Authority not directly attributable to any particular project of the Authority will be equitably allocated among all such projects, including the Property in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, will be a final and conclusive determination as to such allocation. The Trustee may conclusively rely upon the Written Request of the Authority, with the approval of the Mayor, Vice-Mayor, City Manager or Finance Director of the City or any such officer's duly authorized designee, or a duly authorized representative of the City, endorsed thereon, in making any determination that costs relating to the Authority are payable as Additional Payments under the Facilities Sublease, and is not required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Property.

## **Abatement**

The Base Rental Payments and Additional Payments will be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation, which is provided for in the Facilities Sublease) there is substantial interference with the use and occupancy of the Property by the City, in the proportion in which the cost of that portion of the Property rendered unusable bears to the cost of the whole of the Property. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Sublease will continue in full force and effect and the City waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and of Title 11 of the United States

Code, Section 365(h) and any and all other rights to terminate the Facilities Sublease by virtue of any such damage or destruction or interference.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments and Additional Payments in any of the funds and accounts established under the Trust Agreement (including as a result of the availability of insurance proceeds), such Base Rental Payments and Additional Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. See the caption “—Insurance” and Appendix A.

### **Substitution, Addition and Removal of Property**

The City and the Authority may add, substitute or release real property for all or part of, or may release a part of, the Property for purposes of the Facilities Lease and the Facilities Sublease, but only with the consent of AGM and after the City has filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

(i) Executed copies of the Facilities Lease and the Facilities Sublease or amendments thereto containing the amended description of the Property, including the legal description of any real property component of the Property as modified, if necessary.

(ii) A Written Certificate of the City, certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such facility to the City) of the Property that will constitute the Property after such addition, substitution or withdrawal will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year. At the sole discretion of the City, in the alternative, in the event of a substitution only, the Written Certificate of the City will certify that the annual fair rental value of the new Property is at least equal to that of the substituted Property.

(iii) With respect to an addition or substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Property after such addition or substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, will name the Trustee as the insured, and insure the leasehold estate of the Authority in such property subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Sublease.

(iv) A Written Certificate of the City stating that such addition, substitution or withdrawal, as applicable, does not adversely affect the City's use and occupancy of the Property.

(v) With respect to the substitution of property, a Written Certificate of the City stating that the useful life of the property to be substituted is at least equal to the useful life of the property being released.

(vi) An opinion of Bond Counsel stating that any amendment executed in connection with such addition, substitution or withdrawal, as the case may be: (i) is authorized or permitted under the Facilities Sublease; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iii) will not cause the interest on any tax-exempt Bonds to be included in gross income for federal income tax purposes.

The City and the Authority have agreed that the Property or portion thereof for which other real property is substituted, pursuant to the Facilities Sublease, will be released from the Facilities Lease and the Facilities Sublease, and will no longer be encumbered thereby and hereby or by the Trust Agreement at such time as the City has caused said substitution.

Any sale, substitution, release, transfer, lease, assignment, mortgage or encumbrance with respect to the Property under the Facilities Sublease or Facilities Lease will be subject to the prior written consent of AGM.

## **Additional Bonds**

***Conditions for the Issuance of Additional Bonds.*** The Authority may at any time, issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided therein equal to the pledge, charge and lien securing the Outstanding Series 2015 Bonds theretofore issued thereunder, but only subject to the following specific conditions, which have been made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority is in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default has occurred and is continuing.

(b) The Supplemental Trust Agreement requires that the proceeds of the sale of such Additional Bonds will be applied to finance or refinance Projects, or for the refunding or repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds be applied to the payment of the interest due or to become due on said Additional Bonds.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement does not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(d) The Facilities Sublease has been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year, and if Base Rental Payments are being increased, a Certificate of the City will be delivered to the Trustee certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of any facility which is or will become part of the Property) will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year.

(e) If additional facilities, if any, are to be leased and are not situated on property described in the Facilities Lease and Facilities Sublease: (1) the Facilities Lease has been amended so as to lease to the Authority such additional real property; and (2) the Facilities Sublease has been amended so as to lease to the City such additional real property.

(f) The Reserve Fund is fully funded at the Reserve Fund Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by AGM.

***Proceedings for Authorization of Additional Bonds.*** Whenever the Authority and the City determine to execute and deliver any Additional Bonds pursuant to the Trust Agreement, the Authority and the Trustee will enter into a Supplemental Trust Agreement providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

The Supplemental Trust Agreement will prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Trust Agreement, will provide for the distinctive designation, denominations, method of numbering, dates, payment dates, interest rates, interest payment dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds are issued, the City and the Authority will file or cause to be filed the following documents with the Trustee:

- (a) An Opinion of Counsel setting forth that: (1) such Counsel has examined the Supplemental Trust Agreement and the amendment to the Facilities Sublease and Facilities Lease required by the Trust Agreement; (2) the execution and delivery of the Additional Bonds have been duly authorized by the City and the Authority; and (3) said amendment to the Facilities Sublease and Facilities Lease, when duly executed by the City and the Authority, will be valid and binding obligations of the City and the Authority.
- (b) A Certificate of the Authority stating that the requirements of the Trust Agreement have been met.
- (c) A Certificate of the City stating that the insurance required by the Facilities Sublease is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the City and of the Authority stating that all applicable provisions of the Trust Agreement have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Trust Agreement then delivered to the Trustee), the Trustee will authenticate and deliver said Additional Bonds in the aggregate principal amount specified in such Supplemental Trust Agreement to, or upon the Written Request of, the Authority.

The City has no current plans to issue Additional Bonds under the Trust Agreement. See the caption "RISK FACTORS—Substitution, Addition and Removal of Property; Additional Bonds."

#### **Action on Default**

Should the City default under the Facilities Sublease, the Trustee, as assignee of the Authority thereunder, may terminate the Facilities Sublease and recover certain damages from the City, or may retain the Facilities Sublease and hold the City liable for all Base Rental Payments thereunder on an annual basis, and the Trustee has the right to re-enter and re-let the Property. In the event that such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. Base Rental Payments may not be accelerated upon a default under the Facilities Sublease. See the caption "RISK FACTORS—Limited Recourse on Default; No Acceleration of Base Rental."

For purposes of certain actions of Bond Owners under the Trust Agreement and the Facilities Sublease, such as certain consents and amendments and the direction of remedies following default, Series 2015 Bond Owners do not act alone and may not control such matters to the extent that such matters are not supported by the requisite number of the Owners of all Series 2015 Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Facilities Sublease and the Trust Agreement, see Appendix A.

Subject to the terms of the Trust Agreement, so long as AGM has not defaulted under the Policy, AGM has the right to control all remedies for default under the Facilities Lease, the Facilities Sublease and the Trust Agreement.

#### **Reserve Fund**

***Establishment of Reserve Fund.*** The Trustee will establish and maintain a separate fund to be known as the "Reserve Fund." Moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purposes set forth in the Trust Agreement. There will be deposited in the Reserve Fund the Reserve Policy pursuant to the Trust Agreement for the benefit of the Series 2015 Bonds. The City, upon notice to the rating

agencies then rating the Series 2015 Bonds, reserves the right to substitute, at any time and from time to time, one or more Reserve Facilities from a financial institution, the long-term unsecured obligations of which are rated in the two highest rating categories of the rating agency in substitution for or in place of all or any portion of the Reserve Policy or the moneys, if any, on deposit in the Reserve Fund, which satisfy the Reserve Fund Requirement (as such term is defined below), under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes of the Trust Agreement. Upon deposit by the City with the Trustee of any such Reserve Facility(ies), the Trustee will, on or after the date of such deposit, transfer to the City such amounts as are on deposit in the Reserve Fund in excess of the Reserve Fund Requirement after application of the Reserve Facility(ies) thereto. The City will, subject to any investment instructions contained in the Tax Certificate and Agreement, if any, use any such amounts transferred from the Reserve Fund for any lawful purpose of the City which will not adversely affect any current or past exclusion from gross income for federal income tax purposes of the interest on the Bonds, if and to the extent such interest is currently or has in the past been so excluded. Any amounts paid pursuant to any Reserve Facility will be deposited in the Reserve Fund. The moneys in the Reserve Fund and any Reserve Facility shall be held in trust by the Trustee and shall be used and disbursed only for the purposes and uses herein authorized.

The term “Reserve Fund Requirement” means, with respect to the Bonds, an amount equal to an amount equal to the least of: (i) maximum prospective annual Base Rental Payments with respect to Outstanding Bonds to be made by the City under the Facilities Sublease; (ii) 10% of the proceeds of the Bonds; or (iii) 125% of the average annual Base Rental Payments with respect to Outstanding Bonds to be made by the City under the Facilities Sublease.

***Application of Reserve Fund.*** Amounts on deposit in the Reserve Fund which were not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement may be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under any such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts. If and to the extent that, more than one Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, drawings thereunder, and repayment of expenses with respect thereto, will be made on a pro-rata basis (calculated by reference to the policy limits available thereunder).

If, on any Interest Payment Date, the amount on deposit in any account within the Interest Account is insufficient to pay the interest due with respect to the corresponding Series of Bonds on such Interest Payment Date, the Trustee will transfer from the corresponding account within the Reserve Fund and deposit in such account within the Interest Account an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, the Trustee will make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Interest Account.

If, on any Principal Payment Date or any Mandatory Sinking Account Payment Date, the amount on deposit in any account within the Principal Account is insufficient to pay the principal due with respect to the corresponding Series of Bonds on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee will transfer from the corresponding account within the Reserve Fund and deposit in such account within the Principal Account an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Fund Requirement, the Trustee will make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Principal Account.

In the event of any withdrawal or transfer from the Reserve Fund, the Trustee will, within 5 days thereafter, provide written notice to the City of the amount and the date of such transfer. If there are no

amounts currently due under any Reserve Facility and the sum of the amount on deposit in the Reserve Fund, plus the amount available under any Reserve Facilities, is reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter received from the City under the Facilities Sublease and not needed to pay the interest and principal of the Bonds on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date will be used, first, to reinstate the amounts available under the Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facilities, when added to the amount on deposit in the Reserve Fund, equals the Reserve Fund Requirement. In the event there are insufficient funds to remedy any deficiencies in all such accounts, moneys shall be deposited pro rata in each such account.

If at any time the balance in any account within the Reserve Fund is in excess of the Reserve Fund Requirement for such fund, the Trustee will transfer such excess to any other account within the Reserve Fund with a balance less than the Reserve Fund Requirement for such fund to make up such deficiency, and thereafter to the Revenue Fund.

At the termination of the Facilities Sublease in accordance with its terms, any balance remaining in the Reserve Fund will be released and may be transferred to such other fund or account of the City, or otherwise used by the City for any other lawful purposes, as the City may direct. For purposes of determining the amount on deposit in the Reserve Fund, all investments will annually be valued at the cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Except as provided in the Trust Agreement from Base Rental Payments not needed to pay the interest and principal of the Bonds, the City has no obligation to replenish the Reserve Fund.

## **Insurance**

The Facilities Sublease requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. As an alternative to providing such insurance or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent that such self-insurance method or plan of protection affords reasonable protection to the Authority, the Bond Holders and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City.

The Facilities Sublease requires the City to maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Property as the result of any of the hazards covered by the insurance described in the preceding paragraph, in an amount sufficient to pay the maximum annual Base Rental Payments for any two year period, except that such insurance may be subject to a deductible clause of not to exceed \$25,000. Any proceeds of such insurance will be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facilities Sublease attributable to such structure for a period of time during which the payment of rental under the Facilities Sublease is abated, and any proceeds of such insurance not so used will be applied as provided in the Facilities Sublease (to the extent required for the payment of Base Rental Payments and Additional Payments). See the caption "—Abatement."

The Facilities Sublease requires the City to maintain or cause to be maintained, throughout the term thereof, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees and the Trustee, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$200,000 for damage to property resulting from each accident or event, and worker's compensation insurance.

See the summary of the Facilities Sublease set forth in Appendix A for further information with respect to the insurance coverage required to be maintained by the City under the Facilities Sublease.

A description of insurance coverages maintained by the City is set forth under the caption “THE CITY—Risk Management.”

The Facilities Sublease also requires the City to provide, at its own expense, an ALTA leasehold owner’s title insurance policy or policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Bonds. Such insurance instrument, when issued, will name the Trustee as the insured, and will insure the leasehold estate of the Authority subject only to such exceptions as do not substantially interfere with the City’s right to use and occupy the Property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Sublease.

## BOND INSURANCE

*The information under this caption has been prepared by AGM for inclusion in this Official Statement. None of the Authority, the City or the Underwriter has reviewed this information, nor do the Authority, the City or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Policy (as such term is defined below) and reference is made to Appendix G for a specimen of the Policy.*

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2015 Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Series 2015 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2015 Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance

with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

**Current Financial Strength Ratings.** On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

**Capitalization of AGM.** At September 30, 2015, AGM's policyholders' surplus and contingency reserve were approximately \$3,769 million and its net unearned premium reserve was approximately \$1,603 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

**Incorporation of Certain Documents by Reference.** Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (filed by AGL with the SEC on August 6, 2015); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015 (filed by AGL with the SEC on November 6, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2015 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE—Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

**Miscellaneous Matters.** AGM makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the caption “BOND INSURANCE.”

## SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2015 Bonds are shown below.

### *Sources<sup>(1)</sup>*

|                                       |                             |
|---------------------------------------|-----------------------------|
| Principal Amount of Series 2015 Bonds | \$ 10,430,000               |
| Less Original Issue Discount          | <u>(41,707)</u>             |
| <b>Total Sources</b>                  | <b><u>\$ 10,388,293</u></b> |

### *Uses<sup>(1)</sup>*

|                                   |                             |
|-----------------------------------|-----------------------------|
| Acquisition and Construction Fund | \$ 10,000,000               |
| Costs of Issuance <sup>(2)</sup>  | <u>388,293</u>              |
| <b>Total Uses</b>                 | <b><u>\$ 10,388,293</u></b> |

<sup>(1)</sup> Rounded to the nearest dollar.

<sup>(2)</sup> Includes certain fees of Bond Counsel, the Financial Advisor, S&P and the Trustee, Underwriter’s discount, premium for the Policy and the Reserve Policy, printing costs and other miscellaneous costs of issuance.

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## BASE RENTAL PAYMENT SCHEDULE

The annual schedule of Base Rental Payments due with respect to the Series 2015 Bonds is set forth below.

| <i><b>Period Ending<br/>November 1</b></i> | <i><b>Principal</b></i> | <i><b>Interest</b></i> | <i><b>Total</b></i>     |
|--|-------------------------|------------------------|-------------------------|
| 2016                                       | \$ 175,000.00           | \$ 411,398.29          | \$ 586,398.29           |
| 2017                                       | 200,000.00              | 459,193.76             | 659,193.76              |
| 2018                                       | 205,000.00              | 455,693.76             | 660,693.76              |
| 2019                                       | 210,000.00              | 451,081.26             | 661,081.26              |
| 2020                                       | 215,000.00              | 445,568.76             | 660,568.76              |
| 2021                                       | 220,000.00              | 439,118.76             | 659,118.76              |
| 2022                                       | 225,000.00              | 432,243.76             | 657,243.76              |
| 2023                                       | 235,000.00              | 424,650.00             | 659,650.00              |
| 2024                                       | 240,000.00              | 416,131.26             | 656,131.26              |
| 2025                                       | 250,000.00              | 407,131.26             | 657,131.26              |
| 2026                                       | 260,000.00              | 397,131.26             | 657,131.26              |
| 2027                                       | 270,000.00              | 386,731.26             | 656,731.26              |
| 2028                                       | 285,000.00              | 375,593.76             | 660,593.76              |
| 2029                                       | 295,000.00              | 363,481.26             | 658,481.26              |
| 2030                                       | 305,000.00              | 350,943.76             | 655,943.76              |
| 2031                                       | 320,000.00              | 337,600.00             | 657,600.00              |
| 2032                                       | 335,000.00              | 322,400.00             | 657,400.00              |
| 2033                                       | 350,000.00              | 306,487.50             | 656,487.50              |
| 2034                                       | 370,000.00              | 289,862.50             | 659,862.50              |
| 2035                                       | 385,000.00              | 272,287.50             | 657,287.50              |
| 2036                                       | 405,000.00              | 254,000.00             | 659,000.00              |
| 2037                                       | 425,000.00              | 233,750.00             | 658,750.00              |
| 2038                                       | 445,000.00              | 212,500.00             | 657,500.00              |
| 2039                                       | 470,000.00              | 190,250.00             | 660,250.00              |
| 2040                                       | 490,000.00              | 166,750.00             | 656,750.00              |
| 2041                                       | 515,000.00              | 142,250.00             | 657,250.00              |
| 2042                                       | 540,000.00              | 116,500.00             | 656,500.00              |
| 2043                                       | 570,000.00              | 89,500.00              | 659,500.00              |
| 2044                                       | 595,000.00              | 61,000.00              | 656,000.00              |
| 2045                                       | 625,000.00              | 31,250.00              | 656,250.00              |
| <b>Total</b>                               | <b>\$ 10,430,000.00</b> | <b>\$ 9,242,479.67</b> | <b>\$ 19,672,479.67</b> |

## THE FINANCING PLAN

A portion of the proceeds of the Series 2015 Bonds is expected to be used to finance the Project, which consists of the installation of a new electrical substation and associated feeders at an estimated cost of approximately \$17,276,000. Project costs that are not financed from a portion of the proceeds of the Series 2015 Bonds will be funded from other available City moneys.

In addition to the improvement projects listed above, there are many other capital improvements listed in the City's adopted capital improvement program for Fiscal Year 2015 (which lists potential improvements having an estimated cost of approximately \$57.8 million) that may be funded with Series 2015 Bond proceeds.

The City expects to comply with all governmental approval, public bidding and other permitting requirements for each component of the Project as required by law. The City presently expects to substantially complete all components of the Project by Fiscal Year 2019.

## THE PROPERTY

The Property constitutes the subject matter of the Facilities Lease and the Facilities Sublease. As of the date of issuance of the Series 2015 Bonds, the City holds title to the Property. Upon the issuance of the Series 2015 Bonds, the City will lease the Property to the Authority pursuant to the Facilities Lease and the Authority will sublease the Property back to the City pursuant to the Facilities Sublease. Base Rental Payments under the Facilities Sublease secure the Series 2015 Bonds. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Base Rental Payments.”

The Property consists of the City’s Conference and Recreation Center, which is located on Alessandro Boulevard, is an approximately 42,413 square foot municipal conference and banquet facility operated by the City. The Conference and Recreation Center includes an 8,200 square foot ballroom, the Grand Valley Ballroom. The Grand Valley Ballroom can accommodate groups of up to 400 people and includes a full kitchen, a reception patio, an outdoor banquet patio, a stage with two dressing rooms and a video and movie screen. Other facilities at the Conference and Recreation Center include two smaller meeting rooms. The Conference and Recreation Center hosts private events, community programs and public meetings. The facility also includes space for a childcare/daycare area, a gymnasium, two activity rooms and the office space for the City’s Parks and Community Services Department staff. The Conference and Recreation Center was constructed in 2005 and comprises approximately 18.64 acres. For purposes of the Facilities Sublease, the City has ascribed a value of approximately \$13,874,000 to the Conference and Recreation Center.



The City’s Parks and Community Services Department operates five facilities located at the various parks throughout the City, including Bethune Park, Woodland Park, the Conference and Recreation Center, a senior center, and two community centers, which facilities provide 79 youth programs, 88 senior programs and 31 adult programs serving an estimated 417,180 City youths and adults annually for baseball, softball, and soccer play. The Parks and Community Services Department also hosts activities for 38 school sites and assists the City’s nonprofit sports organizations in hosting regional and national sports tournaments, resulting in a positive economic impact to City businesses. The value that the City’s parks and recreation facilities bring to the local community has been repeatedly recognized. The Press-Enterprise newspaper previously rated the City “Number One in Riverside County for Family Recreation.” The City was the recipient of the 2005 California Parks and Recreation Society Award for “Facility Design and Park Planning” for the Conference and Recreation Center, and in 1997 the City earned the Southern California Municipal Athletic Federation’s “Gold Shield Award” for providing outstanding leadership. The City remains committed to sustained community participation and use of facilities throughout the City’s park system.

In connection with the issuance of the Series 2015 Bonds, the City will certify that the annual fair rental value of the Property is at least equal to the annual Base Rental Payments. The City makes no assurances regarding the ability to relet any component of the Property or the amount of rental income to be received in the event that any component of the Property is relet.

The table below summarizes certain attributes of the Property. No portion of the Property is currently encumbered by debt obligations other than the Series 2015 Bonds.

### **CITY OF MORENO VALLEY DESCRIPTION OF PROPERTY**

| <b>Property</b>                  | <b>Description</b>   | <b>Land Area<sup>(1)</sup></b> | <b>Building Size<sup>(1)</sup></b> | <b>Location</b>      | <b>Asset Value<sup>(1)(2)</sup></b> |
|----------------------------------|--|--------------------------------|------------------------------------|----------------------|-------------------------------------|
| Conference and Recreation Center | Municipal conference and banquet facility; includes 8,200 square foot ballroom with full kitchen, reception patio, outdoor banquet patio, stage with two dressing rooms and video and movie screen; meeting rooms; office space for City's Parks and Recreation Department | 18.64 acres                    | 42,413 square feet                 | Alessandro Boulevard | \$13,874,000                        |

<sup>(1)</sup> Figures are approximate.

<sup>(2)</sup> Such amount is greater than the principal amount of the Series 2015 Bonds.

The estimated value of the Property set forth above is based upon existing conditions and reflects the opinion of the party providing the estimate only. In connection with the issuance of the Series 2015 Bonds, the City will certify that the annual fair rental value of the Property is at least equal to the annual Base Rental Payments.

The City has the right to substitute or release all or a portion of the Property subject to certain conditions precedent. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Substitution, Addition and Removal of Property."

### **THE AUTHORITY**

The Authority is a public body duly organized and existing under the Joint Exercise of Powers Agreement, dated as of October 28, 1997 (the "JPA Agreement"), by and between the City and the Community Redevelopment Agency of the City of Moreno Valley (the "Agency"), and under the Constitution and laws of the State. The Authority was formed for the purpose of assisting the City in the financing and refinancing of public capital improvements by exercising the powers referred to in the JPA Agreement, including the power to issue bonds to pay the costs of public improvements. Neither the City nor the Agency is responsible for repayment of the obligations of the other. The members of the Board of Directors of the Authority are the members of the City Council of the City. The Authority has no employees and all staff work is done by City staff or by consultants to the Authority. The Authority has acted as a conduit issuer for the City for a variety of financings.

### **THE CITY**

#### **General**

The City is located in western Riverside County (the "County"), approximately 66 miles east of Los Angeles and 100 miles north of San Diego, California. The City has a population of approximately 200,670 as of January 1, 2015 and covers approximately 51.5 square miles. The City was incorporated on December 3,

1984 and is a general law city operating under a council/manager form of government. Further information concerning the City is set forth below and in Appendix F.

The City had approximately 354 full and part-time employees as of June 30, 2015. City employees are represented by two labor unions and associations, the Moreno Valley City Employees Association (the “MVCEA”), which represents approximately 181 employees as of June 30, 2015 and the Moreno Valley Management Association (the “MVMA”), which represents approximately 76 employees as of June 30, 2015. Relations between the City and the MVCEA and MVMA are governed by memoranda of understanding that expire on June 30, 2017. A total of approximately 25 management and confidential employees are exempt from collective bargaining. Salaries for exempt employees are set by the City Council. The City has never experienced a strike, slowdown or work stoppage.

The City provides or contracts for many municipal services for its residents, including libraries, parks, recreation, street and storm drain maintenance and electric utility services. The City contracts with the Riverside County Sheriff’s Department for police services and with the County for fire protection services, which services are provided by the California Department of Forestry and Fire Protection. See the caption “THE PROPERTY” for detailed information with respect to City parks and the City’s Parks and Community Services Department.

### **Largest Employers**

The largest employer located in the City is the March Air Reserve Base, which currently employs approximately 8,500 employees, representing approximately 9.3% of the total City employment. March Air Reserve Base is the home to the Air Force Reserve Command’s 4th Air Force Headquarters and the 452nd Air Mobility Wing, the largest air mobility wing of the 4th Air Force. In addition to multiple units of the Air Force Reserve Command, the base supports the Air Mobility Command, Air Combat Command and Pacific Air Forces, and is home to units from the Army Reserve, Navy Reserve, Marine Corps Reserve, and the California Air National Guard.

Other large employers in the City include the Moreno Valley Unified School District, which currently employs approximately 3,442 employees, and the Riverside County Regional Medical Center, which currently employs approximately 2,987 employees. Based on its close proximity to the counties of Los Angeles, Orange and San Diego, the City serves as a regional logistics and major distribution hub for many large manufacturers and retail companies, including Skechers USA, Inc., Walgreen Company, Ross Dress for Less, Inc. and Harbor Freight Tools. Several large companies await completion of or have recently completed construction on distribution sites and fulfillment centers within the City limits, including e-retailer Amazon (NASDAQ symbol: AMZN), Deckers Outdoor Corporation (NASDAQ symbol: DECK), which designs, manufactures and markets Teva, UGG Australia, and other footwear brands, Procter & Gamble (NYSE symbol: PG), which manufactures and markets 23 brands of home and personal care products, including Tide detergent, Gillette shaving products, and Crest dental products, and Aldi, Inc., a European discount grocery retailer chain that has over 8,000 stores worldwide (including over 1,000 stores in the United States).

The table below sets forth the largest employers within the City as of June 30, 2015.

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**CITY OF MORENO VALLEY**  
**LARGEST EMPLOYERS AS OF JUNE 30, 2015**

| <b>Rank</b> | <b>Name of Business</b>                  | <b>Employees</b> | <b>Type of Business</b>          |
|-------------|--|------------------|----------------------------------|
| 1.          | March Air Reserve Base                   | 8,500            | Military Reserve Base            |
| 2.          | Amazon.com Inc.                          | 7,500            | Retail Distribution              |
| 3.          | Moreno Valley Unified School District    | 3,565            | Public Schools                   |
| 4.          | Riverside County Regional Medical Center | 3,000            | County Hospital                  |
| 5.          | Ross Dress for Less/DD's Discounts       | 1,921            | Retail Distribution              |
| 6.          | Moreno Valley Mall                       | 1,390            | Retail Mall                      |
| 7.          | Procter & Gamble Co.                     | 987              | Retail Distribution              |
| 8.          | Harbor Freight Tools                     | 800              | Retail Distribution              |
| 9.          | Kaiser Permanente Community Hospital     | 772              | Hospital                         |
| 10.         | iHerb, Inc.                              | 750              | Natural Supplements Distribution |

Source: City.

### **Government and Administration**

The City operates under a council-manager form of government. The City Manager, appointed by the City Council, serves as the City's chief administrative officer and is responsible for overseeing the daily operations of City departments and efficient management of all City business. Functions of the City Manager's Office include coordination of the implementation of City Council policies and programs; providing overall direction to the departments that administer City programs and services; coordinating intergovernmental relations and legislative advocacy; and administration of the City's communications, media relations, and public information programs.

Michelle Dawson is the City Manager. Ms. Dawson was appointed City Manager in May 2013. Ms. Dawson is responsible for the administration of all municipal affairs, including implementation of City Council policy, State laws and City ordinances. Ms. Dawson has over 23 years of local government experience. She has worked at the City for over 14 years in a variety of leadership positions, including Assistant City Manager, Assistant to the City Manager and Senior Management Analyst in the Public Works Department, Animal Services Division and City Manager's Office. Ms. Dawson obtained her master's degree in public administration and bachelor's degree from California State University, San Bernardino.

Other key personnel responsible for management of the City include the Chief Financial Officer, the Treasury Operations Division Manager and the Public Works Director/City Engineer. In addition, the City Attorney provides legal services to the City and the Authority.

Richard Teichert is the Chief Financial Officer of the City. Mr. Teichert was appointed Chief Financial Officer in August 2010. Mr. Teichert previously served as Director of Finance/City Treasurer for the City between 1992 and 1997. Mr. Teichert has over 30 years of experience in municipal government and has held a wide variety of leadership positions in the area of municipal finance, operations, and administration. During his professional tenure, Mr. Teichert has served as Deputy Executive Director/Treasurer for the Sacramento Public Library Authority, which is a joint powers authority that oversees a 27-branch library system. He has also served as Chief Operations Officer for the Children and Families Commission of Orange County and served for over eight years as Deputy Director of Finance/Operations Director for the Orange County Transportation Authority. Mr. Teichert holds a bachelor's degree in business administration and accounting from California State University, Fullerton, and is a Certified Internal Auditor.

Brooke McKinney is the Treasury Operations Division Manager of the City. Mr. McKinney was appointed Treasury Operations Division Manager in April 2002. Mr. McKinney has over 30 years of experience in municipal government and has held a variety of management positions in finance and

administration of city and county government. Mr. McKinney has worked in a variety of management positions in the City's Finance Department over the past 13 years, including revenue officer, assistant treasurer and treasury operations manager. Prior to his tenure at the City, Mr. McKinney worked for over 17 years as the Hospital Fiscal Officer at the Riverside County Regional Medical Center. Mr. McKinney holds a bachelor's degree in business administration from The Master's College in Santa Clarita, California.

Ahmad R. Ansari is the Public Works Director of the City and City Engineer. Mr. Ansari was appointed Public Works Director and City Engineer in December 2011. Mr. Ansari has over 11 years of executive level experience, including 6 years as Public Works Director for the cities of Rialto and Perris. He also served the cities of Pomona and Burbank as Deputy Public Works Director and Senior Civil Engineer respectively. Mr. Ansari has a bachelor's degree in civil engineering with graduate studies in structural engineering from the University of Southern California. He has been a registered Civil Engineer in the State since 1994.

Steven Quintanilla, Esquire, a partner at Quintanilla & Associates, A Professional Corporation, is the Interim City Attorney. Mr. Quintanilla currently serves as City Attorney for the city of Desert Hot Springs. Prior to establishing his current law firm, Mr. Quintanilla was a partner at Green, deBortnowsky and Quintanilla, where he specialized in the practice of municipal law. Mr. Quintanilla has a bachelor's degree and juris doctorate from the University of California, Los Angeles.

### **Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City has established two self-insurance funds to finance uninsured risks of loss up to a maximum of \$300,000 for each workers' compensation claim and \$250,000 for each general liability claim. For workers' compensation, the City participates in the CSAC Excess Insurance Authority, a joint powers authority, for claims in excess of coverage provided by its internal funds up to the statutory requirements. For general liability, the City participates in the Public Entity Risk Management Authority ("PERMA"), a joint powers authority, for claims in excess of coverage provided by its internal funds up to \$50,000,000. Claims have not exceeded the City's insurance coverage in any of the last three years.

The City purchases all-risk, replacement cost value property insurance coverage through PERMA up to a maximum amount of \$100,000,000. All property and improvements at the Property are insured under the City's property insurance coverage. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Insurance." The City does not carry earthquake coverage.

## **CITY FINANCIAL INFORMATION**

### **Accounting and Financial Reporting**

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles and the standards established by the Governmental Accounting Standards Board ("GASB"). On a quarterly basis, a report is prepared for the City Council and City staff which reviews fiscal performance to date against the budget. Combined financial statements of the City and its component units are produced following the close of each Fiscal Year.

The City Council employs an independent certified public accountant who examines at least annually the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent accountant to the City Council.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It is expected that the Base Rental Payments will be paid for from amounts in the General Fund. Tables 1 through 4 below set forth certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2014 is set forth in Appendix B.

### **General Economic Condition and Outlook of the City**

As of June 30, 2014, the General Fund had a year-end surplus (revenues in excess of expenditures) of \$7.7 million. This surplus was primarily due to actual revenues exceeding budgeted revenues and actual expenditures being below budgeted expenditures, in each case by approximately \$3.1 million. In particular, actual Fiscal Year 2014 property taxes, the General Fund's fourth largest revenue source, increased by approximately \$1.2 million (10.6%) over the Fiscal Year 2014 budgeted amount.

For Fiscal Year 2015, the amended General Fund operating budget projected revenues of \$83,655,319, which is approximately \$2.6 million (3.2%) above Fiscal Year 2014 actual revenues, and expenditures of \$79,996,304, an increase of approximately \$6.7 million (9.2%) over Fiscal Year 2014 actual expenditures. The City projects that sales taxes and utility users taxes will continue to grow in Fiscal Year 2015, increasing by approximately 1.5% and 3.5%, respectively, over the Fiscal Year 2014 amount.

See the caption “—Budget Procedure, Current Budget and Historical Budget Information” for a discussion of the adopted budget for Fiscal Year 2016.

### **Budget Procedure, Current Budget and Historical Budget Information**

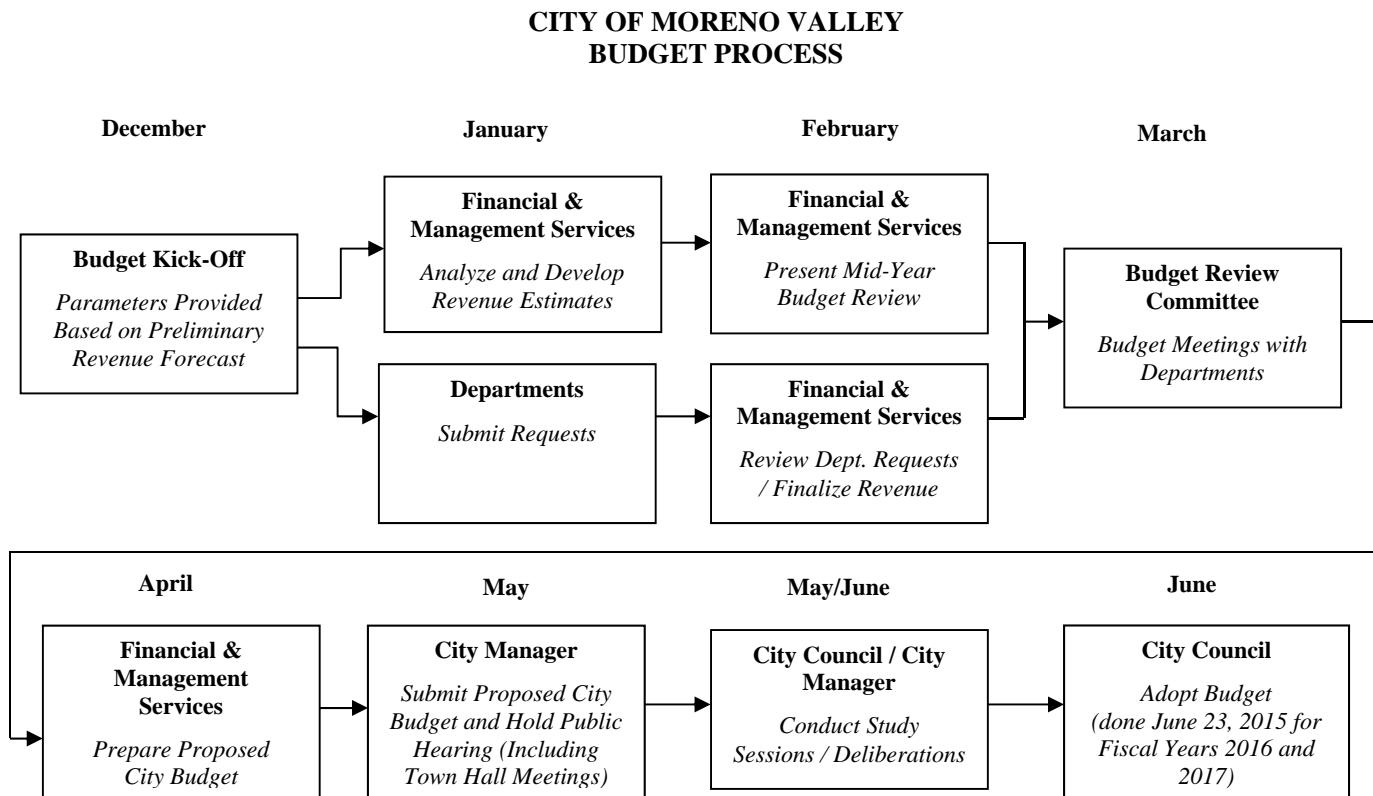
The City currently operates on a two-year operating budget cycle. The current budget was approved on June 23, 2015 and will govern the period beginning on July 1, 2015 for Fiscal Years 2016 and 2017. The budget includes all funding sources of the City, including the General Fund, Community Services District and the Successor Agency of the former Redevelopment Agency. At such time as the City Manager determines, each department head must furnish to the City Manager an estimate of revenues and expenditures for the applicable department for the ensuing two Fiscal Years, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences regarding the estimates with the respective department heads, and revises the estimates as the City Manager deems advisable. In Fiscal Year 2014, the City Council provided direction to create a balanced budget beginning with the Fiscal Year 2014 and 2015 budget cycle and for all future years.

Prior to June 30 of every second Fiscal Year, the City Manager submits to the City Council a proposed budget for the two year period commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30 of the applicable Fiscal Year, public hearings are conducted to obtain public comments and the budget is legally enacted through the passage of a resolution. The budget is subject to amended throughout the two year period to reflect actual financial performance.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named. The City Manager is authorized to transfer budgeted amounts between line items within a department or activity, and between departments and programs within the same fund, provided that the total appropriation does not exceed the budgeted amount. All other transfers or amendments require City Council approval. The City Manager

and affected department heads are mutually responsible for controlling expenditures within budgeted appropriations. All appropriations lapse at the end of the Fiscal Year to the extent that they have not been expended or lawfully encumbered. At a public meeting after the adoption of the budget the City Council may amend or supplement the budget by motion adopted by three affirmative votes of members of the City Council. Following the end of the first Fiscal Year of the two-year budget cycle, the City Manager proposes interim changes, if any, to the City Council in July of such Fiscal Year.

A summary of the actions taken during the year-long budgetary process is set forth below:



Source: City.

The City conducts its annual financial audit between August and November each year, and such audit is typically approved by the City Council by December of such year. In recognition of its financial reporting excellence, the Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for 16 consecutive years.

The City Council adopted a balanced budget for Fiscal Years 2016 and 2017 on June 23, 2015. The budget for all funds totals approximately \$183,481,000 for Fiscal Year 2016 and \$184,365,000 for Fiscal Year 2017 and the General Fund operating budget totals approximately \$91,885,401 for Fiscal Year 2016 and \$95,429,178 for Fiscal Year 2017. The Fiscal Year 2016 and 2017 General Fund operating budgets project an increase in revenues of approximately \$6.8 million (8.6%) and \$10.3 million (12.2%), respectively, over the Fiscal Year 2015 amended General Fund operating budget. Such increases are derived principally from increases in property tax revenues resulting from increased assessed valuations, increases in sales tax revenues and increased development activity within the City.

Based on unaudited actual Fiscal Year 2015 results, the City reports that the General Fund is on track to meet budgeted revenues and expenditures for Fiscal Year 2015.

Set forth in Table 1 are the General Fund budgets for Fiscal Years 2013, 2014 and 2015 and the audited General Fund results for Fiscal Years 2013 and 2014. During the course of each Fiscal Year, the budget is amended and revised as necessary by the City Council.

**TABLE 1**  
**CITY OF MORENO VALLEY**  
**GENERAL FUND BUDGETS AND RESULTS**

|  | <i>Amended<br/>Fiscal Year<br/>2013 Budget</i> | <i>Fiscal Year<br/>2013 Results</i> | <i>Adopted<br/>Fiscal Year<br/>2014 Budget</i> | <i>Fiscal Year<br/>2014 Results</i> | <i>Amended<br/>Fiscal Year<br/>2015 Budget</i> |
|--|--|-------------------------------------|--|-------------------------------------|--|
| <b>Revenues</b>  |  |                                     |  |                                     |  |
| Property Taxes   | \$ 9,900,000                                   | \$ 9,765,007                        | \$ 9,647,100                                   | \$ 10,668,782                       | \$ 11,083,551                                  |
| Property Taxes in lieu   | 13,300,000                                     | 13,414,446                          | 13,640,000                                     | 13,871,754                          | 14,912,136                                     |
| Utility Taxes <sup>(1)</sup>   | 16,060,000                                     | 15,683,931                          | 16,114,000                                     | 15,595,141                          | 15,912,000                                     |
| Sales Taxes  | 13,800,000                                     | 14,043,560                          | 15,570,000                                     | 15,887,129                          | 17,638,770                                     |
| Other Taxes  | 7,740,000                                      | 7,825,138                           | 7,965,000                                      | 8,576,926                           | 8,266,100                                      |
| Licenses & Permits   | 1,531,800                                      | 1,585,312                           | 1,514,000                                      | 2,164,753                           | 1,519,200                                      |
| Intergovernmental  | 235,000  | 260,691                             | 265,000  | 311,509                             | 260,000  |
| Charges for Services   | 7,299,160                                      | 8,258,733                           | 8,869,395                                      | 9,895,991                           | 9,285,333                                      |
| Use of Money & Property  | 3,296,300                                      | 1,071,418 <sup>(2)</sup>            | 2,688,000                                      | 2,836,595                           | 3,516,825                                      |
| Fines & Forfeitures  | 566,000  | 610,171                             | 601,500  | 577,962                             | 606,500  |
| Miscellaneous  | 153,500  | 485,160                             | 51,400   | 642,855 <sup>(3)</sup>              | 654,904  |
| <b>Total Revenues</b>  | <b>\$ 73,881,760</b>                           | <b>\$ 73,003,567</b>                | <b>\$ 76,925,395</b>                           | <b>\$ 81,029,397</b>                | <b>\$ 83,655,319</b>                           |
| <b>Expenditures</b>  |  |                                     |  |                                     |  |
| Personnel Services   | \$ 14,104,173                                  | \$ 11,370,282                       | \$ 13,382,123                                  | \$ 13,943,077                       | \$ 15,645,774                                  |
| Contractual Services   | 55,626,376                                     | 57,356,187                          | 53,132,865                                     | 50,349,793                          | 56,372,259                                     |
| Materials & Supplies   | 886,128  | 1,450,276                           | 1,152,571                                      | 923,151                             | 2,710,797                                      |
| Fixed Charges  | 6,447,496                                      | 8,099,428                           | 6,791,974                                      | 7,955,737                           | 5,219,274                                      |
| Fixed Assets   | 150,897  | 38,573                              | 125,000  | 114,137                             | 48,200   |
| <b>Total Expenditures</b>  | <b>\$ 77,215,070</b>                           | <b>\$ 78,314,746</b>                | <b>\$ 74,583,533</b>                           | <b>\$ 73,285,895</b>                | <b>\$ 79,996,304</b>                           |
| <b>Excess (Deficiency) of<br/>Revenues Over (Under)<br/>Expenditures</b> | <b>\$ (3,333,310)</b>                          | <b>\$ (5,311,179)</b>               | <b>\$ 2,340,862</b>                            | <b>\$ 7,743,502</b>                 | <b>\$ 3,659,015</b>                            |

<sup>(1)</sup> See the caption “—Utility Taxes.”

<sup>(2)</sup> Difference from Fiscal Year 2013 budgeted amount reflects a reduction in investment income of approximately \$1.1 million resulting from a mark-to-market entry required by GASB Statement No. 31 (“GASB 31”) and \$600,000 in interest on certain obligations payable by the former Community Redevelopment Agency of the City of Moreno Valley that was suspended as a result of the dissolution of redevelopment agencies. See the caption ““STATE OF CALIFORNIA BUDGET INFORMATION—Redevelopment Dissolution.”

<sup>(3)</sup> Includes \$150,000 contribution from the Successor Agency. See the caption ““STATE OF CALIFORNIA BUDGET INFORMATION—Redevelopment Dissolution.”

Sources: Adopted budgets of the City for Fiscal Years 2013, 2014 and 2015; audited financial statements of the City for Fiscal Years 2013 and 2014.

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## Change in Fund Balance of the City General Fund

Set forth in Table 2 are the City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2011 through 2014 and the unaudited General Fund statement of revenues, expenditures and changes in fund balance for Fiscal Year 2015.

**TABLE 2**  
**CITY OF MORENO VALLEY**  
**GENERAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

|  | <i>Fiscal Year Ending June 30,</i> |                              |                              |                              |                              |
|--|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|  | <i>2011</i>                        | <i>2012</i>                  | <i>2013</i>                  | <i>2014</i>                  | <i>2015<sup>(2)</sup></i>    |
| <b>Revenues</b>  |                                    |                              |                              |                              |                              |
| Taxes  |                                    |                              |                              |                              |                              |
| Property Taxes   | \$ 9,430,846                       | \$ 9,397,373                 | \$ 9,765,007                 | \$ 10,668,782                | \$ 11,594,459                |
| Property Taxes in lieu   | 13,055,796                         | 13,170,964                   | 13,414,446                   | 13,871,754                   | 15,137,754                   |
| Utility Taxes  | 15,317,439                         | 15,591,386                   | 15,683,931                   | 15,595,141                   | 16,138,202                   |
| Sales Taxes  | 11,283,435                         | 14,003,993                   | 14,043,560                   | 15,887,129                   | 16,130,340                   |
| Other Taxes  | 7,209,262                          | 7,533,532                    | 7,825,138                    | 8,576,926                    | 9,750,622                    |
| Licenses & Permits   | 1,532,514                          | 1,523,800                    | 1,585,312                    | 2,164,753                    | 2,020,231                    |
| Intergovernmental  | 895,366                            | 398,193                      | 260,691                      | 311,509                      | 414,553                      |
| Charges for Services   | 7,408,607                          | 8,574,131                    | 8,258,733                    | 9,895,991                    | 9,449,482                    |
| Use of Money & Property  | 3,886,420                          | 4,004,511                    | 1,071,418                    | 2,836,595                    | 2,214,460                    |
| Fines & Forfeitures  | 791,497                            | 603,065                      | 610,171                      | 577,962                      | 595,084                      |
| Miscellaneous <sup>(1)</sup>                                     | 682,959                            | 138,346                      | 485,160                      | 642,855                      | 702,757                      |
| <b>Total Revenues</b>  | <b>\$71,494,141</b>                | <b>\$74,939,294</b>          | <b>\$73,003,567</b>          | <b>\$81,029,397</b>          | <b>\$84,147,944</b>          |
| <b>Expenditures</b>  |                                    |                              |                              |                              |                              |
| Current  |                                    |                              |                              |                              |                              |
| General government   | \$ 9,592,027                       | \$ 13,482,192                | \$ 11,370,282                | \$ 11,249,491                | \$ 12,260,209                |
| Public Safety  | 57,288,473                         | 53,600,412                   | 57,356,187                   | 52,565,026                   | 54,640,007                   |
| Community Development  | 4,235,300                          | 6,482,658                    | 7,143,586                    | 5,344,292                    | 5,719,757                    |
| Public Works   | 3,413,488                          | 2,109,287                    | 2,271,319                    | 3,974,839                    | 4,138,311                    |
| Capital Outlay   | 56,406                             | 673,934                      | 173,372                      | 152,247                      | 222,234                      |
| Debt Service   |                                    |                              |                              |                              |                              |
| Principal Retirements  | -                                  | -                            | -                            | -                            | -                            |
| Interest and Fiscal Charges                                      | -                                  | -                            | -                            | -                            | -                            |
| <b>Total Expenditures</b>  | <b>\$74,585,694</b>                | <b>\$76,348,483</b>          | <b>\$78,314,746</b>          | <b>\$73,285,895</b>          | <b>\$76,980,518</b>          |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | <b><u>\$ (3,091,553)</u></b>       | <b><u>\$ (1,409,189)</u></b> | <b><u>\$ (5,311,179)</u></b> | <b><u>\$ 7,743,502</u></b>   | <b><u>\$ 7,167,426</u></b>   |
| <b>Other Financing Sources (Uses)</b>                            |                                    |                              |                              |                              |                              |
| Transfers In   | \$ 773,051                         | \$ 539,656                   | \$ 588,370                   | \$ 1,013,421                 | \$ 346,293                   |
| Transfers Out  | (2,605,518)                        | (4,028,932)                  | (2,370,220)                  | (2,575,373)                  | (4,693,392)                  |
| Refunding Bonds Issued   | -                                  | -                            | -                            | -                            | -                            |
| Refunding Bonds Issuance Cost                                    | -                                  | -                            | -                            | -                            | -                            |
| <b>Total Other Financing Sources (Uses)</b>                      | <b><u>\$ (1,832,467)</u></b>       | <b><u>\$ (3,489,276)</u></b> | <b><u>\$ (1,781,850)</u></b> | <b><u>\$ (1,561,952)</u></b> | <b><u>\$ (4,347,099)</u></b> |
| <b>Net Change in Fund Balances</b>                               | <b><u>\$ (4,924,020)</u></b>       | <b><u>\$ (4,898,465)</u></b> | <b><u>\$ (7,093,029)</u></b> | <b><u>\$ 6,181,550</u></b>   | <b><u>\$ 2,820,327</u></b>   |
| <b>Fund Balances, Beginning of Year, as previously reported</b>  | <b>51,289,539</b>                  | <b>-</b>                     | <b>-</b>                     | <b>\$ 34,374,025</b>         | <b>\$ 40,555,575</b>         |
| Restatements   | -                                  | -                            | -                            | -                            | -                            |
| Fund Balances, Beginning of Year, as restated                    | 51,289,539                         | 46,365,519                   | 41,467,054                   | -                            | 40,555,575                   |
| <b>Fund Balances, End of Year</b>                                | <b><u>\$46,365,519</u></b>         | <b><u>\$41,467,054</u></b>   | <b><u>\$34,374,025</u></b>   | <b><u>\$40,555,575</u></b>   | <b><u>\$43,375,902</u></b>   |

<sup>(1)</sup> Includes \$150,000 contribution from the Successor Agency. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION—Redevelopment Dissolution."

<sup>(2)</sup> Reflects unaudited actual Fiscal Year 2015 results. Such amounts are subject to change.

Sources: Audited financial statements for Fiscal Years 2011 through 2014; City for Fiscal Year 2015.

## General Fund Balance Sheets of the City

Set forth in Table 3 are the City's audited General Fund balance sheets for Fiscal Years for Fiscal Years 2011 through 2014 and the unaudited General Fund balance sheet for Fiscal Year 2015.

**TABLE 3**  
**CITY OF MORENO VALLEY**  
**GENERAL FUND BALANCE SHEETS**

|   | <i>Fiscal Year Ending June 30,</i> |                      |                      |                      |                           |
|---|------------------------------------|----------------------|----------------------|----------------------|---------------------------|
|   | <i>2011</i>                        | <i>2012</i>          | <i>2013</i>          | <i>2014</i>          | <i>2015<sup>(1)</sup></i> |
| <b>Assets</b>   |                                    |                      |                      |                      |                           |
| Pooled Cash and Investments   | \$ 43,017,864                      | \$ 38,670,375        | \$ 31,229,246        | \$ 40,659,739        | \$ 39,866,151             |
| Receivables   |                                    |                      |                      |                      |                           |
| Accounts  | 4,309,476                          | 3,159,916            | 2,278,299            | 2,427,060            | 2,679,279                 |
| Notes and Loans   | -                                  | -                    | -                    | -                    | -                         |
| Notes to Successor Agency   | -                                  | 16,304,121           | 16,723,574           | 16,998,503           | 15,568,341                |
| Interest  | 1,207,259                          | 1,001,495            | 697,176              | 560,730              | 415,701                   |
| Prepaid Costs   | 12,060                             | 56,017               | -                    | -                    | -                         |
| Due from Other Governments  | 2,930,165                          | 2,734,436            | 3,128,071            | 3,021,893            | 3,034,489                 |
| Due from Other Funds  | 6,729,900                          | 3,585,358            | 7,647,285            | 2,807,492            | 5,030,850                 |
| Advances to Other Funds   | 34,272,786                         | 51,700               | -                    | 3,772,000            | 4,196,000                 |
| Land Held for Resale  | -                                  | -                    | -                    | -                    | -                         |
| Restricted Assets   |                                    |                      |                      |                      |                           |
| Cash with Fiscal Agents   | -                                  | -                    | -                    | -                    | -                         |
| <b>Total Assets</b>   | <b>\$ 92,479,510</b>               | <b>\$ 65,563,418</b> | <b>\$ 61,703,651</b> | <b>\$ 70,247,417</b> | <b>\$ 70,790,811</b>      |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>       |                                    |                      |                      |                      |                           |
| Liabilities   |                                    |                      |                      |                      |                           |
| Accounts Payable  | \$ 16,203,594                      | \$ 12,296,380        | \$ 15,021,137        | \$ 16,485,502        | \$ 13,624,182             |
| Accrued Liabilities   | 775,946                            | 488,097              | 815,571              | 933,348              | 1,026,936                 |
| Deferred Revenues   | 28,833,723                         | 10,973,533           | -                    | -                    | -                         |
| Unearned Revenues   | 290,072                            | 333,158              | 262,966              | 628,786              | 364,105                   |
| Deposits Payable  | -                                  | -                    | -                    | -                    | -                         |
| Due to Other Governments  | 10,656                             | 5,196                | 4,032                | 6,119                | 249,634                   |
| Due to Other Funds  | -                                  | -                    | -                    | -                    | -                         |
| Advances from Other Funds   | -                                  | -                    | -                    | -                    | -                         |
| <b>Total Liabilities</b>  | <b>\$ 46,113,991</b>               | <b>\$ 24,096,364</b> | <b>\$ 16,103,706</b> | <b>\$ 18,053,755</b> | <b>\$ 15,264,857</b>      |
| <b>Deferred Inflows of Resources</b>                                      |                                    |                      |                      |                      |                           |
| Unavailable Revenues  | -                                  | -                    | 11,225,920           | 11,638,087           | 12,150,052                |
| <b>Total Deferred Inflows of Resources</b>                                | <b> </b>                           | <b> </b>             | <b>11,225,920</b>    | <b>11,638,087</b>    | <b>12,150,052</b>         |
| <b>Fund Balances</b>  |                                    |                      |                      |                      |                           |
| Nonspendable  |                                    |                      |                      |                      |                           |
| Prepaid Costs   | \$ 12,060                          | \$ 56,017            | \$ -                 | \$ -                 | \$ -                      |
| Land Held for Resale  | -                                  | -                    | -                    | -                    | -                         |
| Notes and Loans   | -                                  | 5,330,589            | 5,497,653            | -                    | -                         |
| Notes to Successor Agency   | -                                  | -                    | -                    | 5,360,415            | 4,192,275                 |
| Advances to Other Funds   | 5,703,948                          | 51,700               | -                    | 3,772,000            | 4,196,000                 |
| Permanent Fund Principal  | -                                  | -                    | -                    | -                    | -                         |
| Committed to  |                                    |                      |                      |                      |                           |
| Revolving Line of Credit  | 2,600,000                          | 2,600,000            | 2,600,000            | 2,600,000            | 2,111,000                 |
| Maintenance of Pedestrian Bridge  | -                                  | -                    | -                    | 129,722              | 155,281                   |
| Scholarship Program   | -                                  | -                    | -                    | -                    | -                         |
| Outside Legal Services  | -                                  | -                    | 101,000              | -                    | -                         |
| Assigned to   |                                    |                      |                      |                      |                           |
| Capital Projects  | -                                  | -                    | 61,641               | -                    | -                         |
| Debt Service  | -                                  | 1,000,000            | -                    | -                    | -                         |
| Continuing Appropriations   | 68,700                             | 458,283              | 17,770               | 534,245              | 620,683                   |
| GASB 31   | 346,160                            | 2,155,654            | 567,187              | 622,748              | 494,501                   |
| Future Debt Service   | 1,000,000                          | -                    | -                    | -                    | -                         |
| Unassigned  | 36,634,651                         | 29,814,811           | 25,528,774           | 27,536,445           | 31,606,162                |
| <b>Total Fund Balances</b>  | <b>\$ 46,365,519</b>               | <b>\$ 41,467,054</b> | <b>\$ 34,374,025</b> | <b>\$ 40,555,575</b> | <b>\$ 43,375,902</b>      |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$ 92,479,510</b>               | <b>\$ 65,563,418</b> | <b>\$ 61,703,651</b> | <b>\$ 70,247,417</b> | <b>\$ 70,790,811</b>      |

<sup>(1)</sup> Reflects unaudited actual Fiscal Year 2015 results. Such amounts are subject to change.

Sources: Audited financial statements for Fiscal Years 2011 through 2014; City for Fiscal Year 2015.

## **Property Taxes**

Property tax receipts of \$11,594,459 provided the fourth largest tax revenue source of the City in Fiscal Year 2015, contributing approximately 16.9% of General Fund tax revenues and approximately 13.8% of total General Fund revenues during Fiscal Year 2015. Property in the State which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property become delinquent on the following December 10th and April 10th of the subsequent calendar year. Taxes on unsecured property are due July 1 and become delinquent August 31.

Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of forcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (1) filing a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recording in the county recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or taxable to the assessee.

A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1.5% per month on the amount delinquent. Such property may thereafter be redeemed by the payment of the delinquent taxes and the 10% penalty, plus interest at the rate of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

Legislation enacted in 1984 (Section 25 *et seq.* of the California Revenue and Taxation Code), provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current Fiscal Year and the full 12 months of the next Fiscal Year.

For a number of years, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund (“ERAF”). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2005 State Budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2005 and 2006.

On November 2, 2004, State voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State may not: (i) reduce local sales tax rates or alter the method of allocating the revenue generated by

such taxes; (ii) shift property taxes from local governments to schools or community colleges; (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature; or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2009, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On July 27, 2009, the Governor signed a revised Fiscal Year 2010 State budget that included an ERAF shift of approximately 8% of 1% *ad valorem* property tax revenues from certain local agencies, including the City. The City participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and, as a result, received the shifted funds in the amount of \$1,307,713, without interest, in two installments in 2010 from the California Statewide Communities Development Authority.

Set forth in Table 4 are the secured and unsecured assessed valuations for property in the City for the Fiscal Years 2011 through 2015.

**TABLE 4**  
**CITY OF MORENO VALLEY**  
**ASSESSED VALUATION HISTORY<sup>(1)</sup>**

| <b>Fiscal Year</b> | <b>Secured Value</b> | <b>Unsecured Value</b> | <b>Total Assessed Value</b> | <b>Less Exemptions</b> | <b>Taxable Assessed Value</b> | <b>Direct Tax Rate</b> |
|--------------------|----------------------|------------------------|-----------------------------|------------------------|-------------------------------|------------------------|
| 2011               | \$10,516,338,000     | \$238,786,000          | \$10,755,124,000            | \$(227,178,000)        | \$10,527,946,000              | 0.00164                |
| 2012               | 10,561,585,000       | 271,336,000            | 10,832,921,000              | (236,235,000)          | 10,596,686,000                | 0.00258                |
| 2013               | 10,646,415,000       | 342,094,000            | 10,988,509,000              | (249,331,000)          | 10,739,178,000                | 0.00183                |
| 2014               | 11,042,637,000       | 352,337,000            | 11,394,974,000              | (264,161,000)          | 11,130,813,000                | 0.00185                |
| 2015               | 12,102,252,000       | 366,400,000            | 12,468,652,000              | (262,713,000)          | 12,205,939,000                | 0.00179                |

<sup>(1)</sup> Figures have been rounded to the nearest thousand dollars.

Sources: Audited financial statements for Fiscal Year 2014; County Assessor's Office.

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Set forth in Table 5 are property tax collections and delinquencies in the City as of June 30 for Fiscal Years 2010 through 2014, the latest period for which such information is available. Although the County has not formally adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State, under a longstanding County policy, the County Auditor-Controller distributes 100% of tax increment revenues allocated to each city in the County without regard to delinquencies in the payment of property taxes. As a result of this allocation method, the City receives no adjustments for redemption payments on delinquent collections. The City does receive supplemental taxes. There can be no assurance that the County Auditor-Controller will not change its policies with respect to delinquencies in property tax payments in the future.

**TABLE 5  
CITY OF MORENO VALLEY  
PROPERTY TAX LEVIES AND COLLECTIONS**

| <i>Fiscal Year</i> | <i>Total Tax Levy</i> | <i>Collections within the Fiscal Year of Levy</i> | <i>Percent of Levy Collected within the Fiscal Year of Levy</i> | <i>Collections in Subsequent Years</i> | <i>Percent of Levy Collected to Date</i> |
|--------------------|-----------------------|---|---|--|--|
| 2010               | \$35,573,656          | \$35,492,693                                      | 99.77%  | \$80,963                               | 100.00%                                  |
| 2011               | 33,713,334            | 33,658,226  | 99.84   | 55,108                                 | 100.00                                   |
| 2012               | 33,226,437            | 33,172,713  | 99.84   | 53,724                                 | 100.00                                   |
| 2013               | 25,630,602            | 25,580,901  | 99.81   | 49,701                                 | 100.00                                   |
| 2014               | 26,906,254            | 26,862,040  | 99.84   | 44,214                                 | 100.00                                   |

Source: City.

The ten largest taxpayers in the City as shown on the Fiscal Year 2015 tax roll, the assessed valuation and the percentage of the City's total property tax revenues attributable to each are set forth in Table 6.

**TABLE 6  
CITY OF MORENO VALLEY  
TEN LARGEST TAXPAYERS**

| <i>Rank</i> | <i>Property Owner</i>              | <i>Fiscal Year 2015 Assessed Valuation</i> | <i>% of Total<sup>(1)</sup></i> |
|-------------|------------------------------------|--|---------------------------------|
| 1.          | HF Logistics SKX T1 (Sketchers)    | \$ 206,076,264                             | 1.69%                           |
| 2.          | Ross Dress for Less, Inc.          | 136,318,771                                | 1.12                            |
| 3.          | Walgreen Company                   | 118,966,213                                | 0.97                            |
| 4.          | IIT Inland Empire Logistics Center | 118,635,616                                | 0.97                            |
| 5.          | Stonegate 552                      | 82,989,303                                 | 0.68                            |
| 6.          | First Industrial LP                | 81,229,404                                 | 0.67                            |
| 7.          | Kaiser Foundation Hospitals        | 80,446,780                                 | 0.66                            |
| 8.          | Broadstone at Valley View          | 77,000,000                                 | 0.63                            |
| 9.          | 2250 Town Circle Holdings          | 73,374,738                                 | 0.60                            |
| 10.         | I215 Logistics                     | <u>56,220,375</u>                          | <u>0.46</u>                     |
| TOTAL       |                                    | \$1,031,257,464                            | 8.45%                           |

<sup>(1)</sup> Fiscal Year 2015 Taxable Assessed Value: \$12,205,939,000.

Source: City.

#### Sales Taxes

Sales tax receipts of \$16,130,340 provided the second largest tax revenue source for the City in Fiscal Year 2015, contributing approximately 23.4% of General Fund tax revenues and approximately 19.2% of total

General Fund revenues during Fiscal Year 2015. Automobile sales at the Moreno Valley Auto Mall and retail sales at the Moreno Valley Mall at Towngate contribute significantly to such receipts.

A sales tax is imposed on retail sales or consumption of personal property and collected and distributed by the State Board of Equalization. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the City is 8%.

On March 2, 2004, voters approved a bond initiative formally known as the “California Economic Recovery Act.” This act authorized the issuance of \$15 billion of Economic Recovery Bonds to finance ongoing State budget deficits, which are payable from a fund established by the redirection of tax revenues known as the “Triple Flip.” The State issued \$11.3 billion of Economic Recovery Bonds prior to June 30, 2004. Under the “Triple Flip,” one-quarter of local governments’ 1% share of the sales tax imposed on taxable transactions within their jurisdiction is being redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, State legislation provides for certain property taxes to be redirected to local government. Because these property tax moneys were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. It is expected that the swap of sales taxes for property taxes will terminate once the Economic Recovery Bonds are repaid, which is currently expected to occur in the first quarter of Fiscal Year 2016. See the caption “STATE OF CALIFORNIA BUDGET INFORMATION.”

Additional information relating to sales tax receipts by the City is set forth in Appendix F.

### **Utility Taxes**

Utility taxes of \$16,138,202 provided the largest tax revenue source for the City in Fiscal Year 2015, contributing approximately 23.5% of General Fund tax revenues and approximately 19.2% of total General Fund revenues during Fiscal Year 2015. The utility tax is imposed upon utility users in the City, including users of electricity, gas, telephone, mobile telephone and water services, at the rate of 5.75%. Exemptions are available for low-income residents. Proceeds of the utility tax are used to fund police, fire, library, school crossing guard, animal control, code enforcement and street maintenance programs and other activities funded by the General Fund.

In July 2015, the City was made aware of an effort by a taxpayer advocacy group to place a measure on the ballot to repeal the City’s utility tax. The action is part of a larger Statewide effort affecting approximately 60 municipalities with similar utility taxes. In order to place such a measure on the ballot, a petition must be signed by 10% (or approximately 7,600) of the registered voters in the City, and in order for the measure to be adopted, it must be approved by a majority of citizens voting thereon. There can be no assurance as to whether the requisite number of signatures will be gathered, or the timing thereof, nor can there be any assurance as to whether the measure will ultimately be adopted.

### **Other Taxes**

Other taxes of \$9,750,622 collected by the City in Fiscal Year 2015, including but not limited to transient occupancy taxes, business licenses, franchise fees and property transfer taxes, provided approximately 14.2% of General Fund tax revenues and 11.6% of total General Fund revenues during Fiscal Year 2015.

### **Services**

Fees of \$9,449,482 collected for services provided by the City in Fiscal Year 2015, including but not limited to fees for plan checks and other planning services, issuance of building permits, police services, paramedic services, public works projects and parks and recreation programs, provided approximately 11.2% of General Fund revenues during Fiscal Year 2015.

## **State of California Motor Vehicle In-Lieu Payments**

The State imposes a Vehicle License Fee (the “VLF”), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the Fiscal Year 2005 State Budget, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to “backfill” local governments for their revenue losses resulting from the lowered fee. The Fiscal Year 2005 State Budget permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and deleted the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. See the caption “STATE OF CALIFORNIA BUDGET INFORMATION.”

As set forth in Table 7 below, for Fiscal Year 2015, the City received \$15,137,754 in total VLF revenues, all of which was distributed from property tax receipts.

**TABLE 7**  
**CITY OF MORENO VALLEY**  
**STATE OF CALIFORNIA MOTOR VEHICLE IN-LIEU PAYMENTS**

| <i>Source</i>                  | <i>Fiscal Year</i> |              |              |              |              |
|--------------------------------|--------------------|--------------|--------------|--------------|--------------|
|                                | <i>2011</i>        | <i>2012</i>  | <i>2013</i>  | <i>2014</i>  | <i>2015</i>  |
| Motor Vehicle In-Lieu Payments | \$13,055,796       | \$13,170,964 | \$13,414,446 | \$13,871,754 | \$15,137,754 |

Source: City.

## **Indebtedness**

### ***General Fund-Supported Debt.***

**2007 Bonds.** In 2007, the Moreno Valley Public Financing Authority (the “Authority”) issued its 2007 Taxable Lease Revenue Bonds (the “2007 Bonds”) to finance certain capital improvements of the City and the Electric Utility. The 2007 Bonds mature on May 1, 2038 and bear interest at rates varying from 5.084% to 5.75% per annum. The 2007 Bonds are payable from rental payments payable from the City to the Authority under a Lease Agreement, dated as of April 1, 2007 (the “2007 Lease”), by and between the City and the Authority. The leased assets under the 2007 Lease consist of an electrical substation and electric distribution infrastructure (including conduit, wiring, meters, capacitors, transformers, switches, electrical meters, high and low voltage cable, streetlights, interconnection cabinets and other miscellaneous structures and improvements). As of June 30, 2014, the 2007 Bonds were outstanding in the aggregate principal amount of \$23,615,000.

The City has covenanted in the 2007 Lease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Series 2015 Bonds.

**2011 Private Placement Obligation – City Hall Refunding.** In 2011, the City and the Authority entered into a lease arrangement (the “2011 Private Placement Obligation – City Hall Refunding”) pursuant to which: (i) the City leased a corporate yard and a senior center to the Authority in exchange for a lump sum payment; and (ii) the Authority subleased such property back to the City in exchange for lease payments payable through November 1, 2016. Proceeds of the 2011 Private Placement Obligation – City Hall Refunding were applied to refund certain prior obligations of the City entered into in 1997. The lease payments bear interest at the rate of 2.92%. As of June 30, 2014, the 2011 Private Placement Obligation – City Hall Refunding was outstanding in the principal amount of \$2,261,500.

The City has covenanted in the 2011 Private Placement Obligation – City Hall Refunding to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Series 2015 Bonds.

*2011 Private Placement Obligation – Lease Revenue Refunding.* In 2011, the City and the Authority entered into a lease arrangement (the “2011 Private Placement Obligation – Lease Revenue Refunding”) pursuant to which: (i) the City leased Fire Station No. 65 and the City Hall Annex to the Authority in exchange for a lump sum payment; and (ii) the Authority subleased such property back to the City in exchange for lease payments payable through November 1, 2022. Proceeds of the 2011 Private Placement Obligation – Lease Revenue Refunding were applied to refund certain prior obligations of the City entered into in 1997. The lease payments bear interest at the rates ranging from 5.2% to 5.5%. As of June 30, 2014, the 2011 Private Placement Obligation – Lease Revenue Refunding was outstanding in the principal amount of \$2,555,000.

The City has covenanted in the 2011 Private Placement Obligation – Lease Revenue Refunding to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Series 2015 Bonds.

*2013 Bonds.* In 2013, the Authority issued its Lease Revenue Refunding Bonds Series 2013 (the “2013 Bonds”) to refinance certain capital improvements of the City and the Electric Utility. The 2013 Bonds mature on November 1, 2022 and bear interest at rates varying from 1% to 5% per annum. The 2013 Bonds are payable from rental payments payable from the City to the Authority under a Master Facilities Sublease, dated as of December 1, 2013 (the “2013 Sublease”), by and between the City and the Authority. The leased assets under the 2013 Sublease include City Hall, the City’s Public Safety Building/Emergency Operations Center, Morrison Park Fire Station No. 99, Sunnymead Park, Woodland Park and John F. Kennedy Veterans Memorial Park. As of June 30, 2014, the 2013 Bonds were outstanding in the aggregate principal amount of \$11,695,000.

The City has covenanted in the 2013 Sublease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Series 2015 Bonds.

*2014 Bonds.* In November 2014, the Authority issued its Lease Revenue Refunding Bonds Series 2014 (the “2014 Bonds”) to refinance certain capital improvements of the City and the Electric Utility. The 2014 Bonds mature on November 1, 2035 and bear interest at rates varying from 2% to 5% per annum. The 2014 Bonds are payable from rental payments by the City to the Authority under the 2013 Sublease. The leased assets under the 2013 Sublease include City Hall, the City’s Public Safety Building/Emergency Operations Center, Morrison Park Fire Station No. 99, Sunnymead Park, Woodland Park and John F. Kennedy Veterans Memorial Park. As of their date of issuance, the 2014 Bonds were outstanding in the aggregate principal amount of \$25,325,000.

The City has covenanted in the 2013 Sublease to budget and appropriate moneys annually for the lease payments payable thereunder from legally available funds, including the General Fund, on a basis that is substantially similar to the Facilities Sublease in connection with the Series 2015 Bonds.

**Other Long Term Debt.** As of June 30, 2014, the City had \$20,000,000 aggregate principal amount of obligations under a 2013 Installment Sale Agreement, dated as of August 1, 2013 (the “2013 ISA”), by and between the City and the California Statewide Communities Development Authority. The 2013 ISA is payable from proceeds of a retail transactions and use tax imposed by the County.

**Short-Term Debt.** The City currently has no short-term debt outstanding.

***Estimated Direct and Overlapping Bonded Debt.*** The estimated direct and overlapping bonded debt of the City as of June 30, 2015 is set forth in Table 8. The information in Table 8 has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. None of the City, the Authority or the Underwriter has independently verified the information in Table 8 and the City, the Authority and the Underwriter do not guarantee its accuracy.

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**TABLE 8**  
**CITY OF MORENO VALLEY**  
**ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT AS OF JUNE 30, 2015**

Fiscal Year 2014-15 Assessed Valuation: \$12,199,658,731

|  | <i>Total Debt<br/>6/30/15</i> | <i>% Applicable<sup>(1)</sup></i> | <i>City's Share of<br/>Debt 6/30/15</i> |
|--|-------------------------------|-----------------------------------|---|
| <b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>  |                               |                                   |   |
| Metropolitan Water District  | \$ 110,420,000                | 0.526%                            | \$ 580,809                              |
| Eastern Municipal Water District, I.D. No. U-22  | 2,624,000                     | 100.000                           | 2,624,000                               |
| Riverside City Community College District  | 227,097,323                   | 14.576                            | 33,101,706                              |
| Mount San Jacinto Community College District   | 70,000,000                    | 0.014                             | 9,800                                   |
| Moreno Valley Unified School District  | 136,588,521                   | 84.244                            | 115,067,634                             |
| San Jacinto Unified School District  | 42,604,103                    | 0.424                             | 180,641                                 |
| Val Verde Unified School District  | 109,531,488                   | 37.704                            | 41,297,752                              |
| Moreno Valley Unified School District Community Facilities District No. 2002-1             | 7,535,000                     | 100.000                           | 7,535,000                               |
| Moreno Valley Unified School District Community Facilities District No. 2003-1 & 2         | 11,070,000                    | 100.000                           | 11,070,000                              |
| Moreno Valley Unified School District Community Facilities District No. 2004-1             | 2,960,000                     | 100.000                           | 2,960,000                               |
| Moreno Valley Unified School District Community Facilities District No. 2004-2             | 5,225,000                     | 100.000                           | 5,225,000                               |
| Moreno Valley Unified School District Community Facilities District No. 2004-3             | 3,820,000                     | 100.000                           | 3,820,000                               |
| Moreno Valley Unified School District Community Facilities District No. 2004-5             | 4,770,000                     | 100.000                           | 4,770,000                               |
| Moreno Valley Unified School District Community Facilities District No. 2004-6             | 26,220,000                    | 100.000                           | 26,220,000                              |
| Moreno Valley Unified School District Community Facilities District No. 2005-2, 3 & 5      | 23,570,000                    | 100.000                           | 23,570,000                              |
| Moreno Valley Unified School District Community Facilities District No. 2007-1             | 5,195,000                     | 100.000                           | 5,195,000                               |
| Val Verde Unified School District Community Facilities District No. 98-1                   | 18,845,000                    | 100.000                           | 18,845,000                              |
| Val Verde Unified School District Community Facilities District No. 2003-2                 | 2,910,000                     | 100.000                           | 2,910,000                               |
| Eastern Municipal Water District Community Facilities Districts                            | 12,725,000                    | 100.000                           | 12,725,000                              |
| City of Moreno Valley Community Facilities District No. 5                                  | 5,670,000                     | 100.000                           | 5,670,000                               |
| City of Moreno Valley Community Facilities District No. 87-1, I.A. No. 1                   | 2,605,000                     | 100.000                           | <u>2,605,000</u>                        |
| <b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>   |                               |                                   | <u>\$ 325,982,342</u>                   |
| <b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>   |                               |                                   |   |
| Riverside County General Fund Obligations  | \$ 961,952,082                | 5.404%                            | \$ 51,983,891                           |
| Riverside County Pension Obligations   | 320,470,000                   | 5.404                             | 17,318,199                              |
| Riverside County Board of Education Certificates of Participation                          | 1,835,000                     | 5.404                             | 99,163                                  |
| Moreno Valley Unified School District Certificates of Participation                        | 12,475,000                    | 84.244                            | 10,509,439                              |
| San Jacinto Unified School District Certificates of Participation                          | 40,270,000                    | 0.424                             | 170,745                                 |
| Val Verde Unified School District Certificates of Participation                            | 71,445,000                    | 37.704                            | 26,937,623                              |
| <b>City of Moreno Valley General Fund Obligations</b>                                      | <b>63,288,500</b>             | <b>100.000</b>                    | <b><u>63,288,500</u></b>                |
| <b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>                                |                               |                                   | <u>\$ 170,307,560</u>                   |
| Less: Riverside County self-supporting obligations   |                               |                                   | <u>408,813</u>                          |
| <b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>                                  |                               |                                   | <u>\$ 169,898,747</u>                   |
| <b>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</b>                                | <b>\$ 79,130,000</b>          | <b>31.234-100.000%</b>            | <b>\$ 57,503,093</b>                    |
| <b>TOTAL DIRECT DEBT</b>   |                               |                                   | <b>\$ 63,288,500</b>                    |
| <b>TOTAL GROSS OVERLAPPING DEBT</b>  |                               |                                   | <b>\$ 490,504,495</b>                   |
| <b>TOTAL NET OVERLAPPING DEBT</b>  |                               |                                   | <b>\$ 490,095,682</b>                   |
| <b>GROSS COMBINED TOTAL DEBT</b>   |                               |                                   | <b>\$ 553,792,995<sup>(2)</sup></b>     |
| <b>NET COMBINED TOTAL DEBT</b>   |                               |                                   | <b>\$ 553,384,182</b>                   |
| <b>Ratios to Fiscal Year 2014-15 Assessed Valuation:</b>                                   |                               |                                   |   |
| Total Overlapping Tax and Assessment Debt .....  | 2.67%                         |                                   |   |
| <b>Total Direct Debt (\$63,288,500) .....</b>  | <b>0.52%</b>                  |                                   |   |
| Gross Combined Total Debt .....  | 4.54%                         |                                   |   |
| Net Combined Total Debt .....  | 4.54%                         |                                   |   |
| <b>Ratios to Redevelopment Successor Agencies Incremental Valuation (\$2,319,499,377):</b> |                               |                                   |   |
| Total Overlapping Tax Increment Debt.....  | 2.48%                         |                                   |   |

<sup>(1)</sup> The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of each overlapping district's assessed value that is within the boundaries of the City divided by such district's total taxable assessed value.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## **Retirement Contributions**

*This caption contains certain information relating to the California Public Employees Retirement System (“CalPERS”). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City and the Authority have not independently verified the information provided by CalPERS and make no representations nor express any opinion as to the accuracy of the information provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. Neither the City nor the Authority can guarantee the accuracy of such information. Actuarial assessments are forward-looking statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

**Summary of Plans.** The City contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan, on behalf of 331 total City employees who participate in the City’s Miscellaneous Plan. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the City.

Required employer and employee contributions are determined from rates established by CalPERS based upon various actuarial assumptions which are revised annually. The City currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the City’s unfunded actuarial liability. For Fiscal Years 2014 and 2015, the City’s contributions to the CalPERS plan were \$4,267,872 and \$4,638,567 (estimated), respectively, which were equal to the respective annual required contributions (each, an “ARC”) of the City. The contribution rates for Fiscal Year 2016 have been established at 24.859% of annual covered payroll.

Participants in the City’s CalPERS plan are required to contribute 8% of their annual covered salary for employee member contributions. The City pays the employee member contributions required of Miscellaneous Plan participants hired prior to July 1, 2009 on their behalf and for their account. The City does not pay any portion of the contributions required of Miscellaneous Plan participants hired on or after July 1, 2009 on their behalf; such employees are required to make 100% of their required Miscellaneous Plan contribution of: (i) 8% (for employees hired between July 1, 2009 and December 22, 2011); (ii) 7% (for employees hired between December 23, 2011 and December 31, 2012); or (iii) 6.25% (for employees hired on or after January 1, 2013).

Employees hired on or after January 1, 2013 who meet the definition of a “New CalPERS Member” are subject to the California Public Employees’ Pension Reform Act of 2013 (“AB 340”), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier (2% at 62 formula) with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. Such participants are currently required to contribute 6.25% of their annual covered salary under the CalPERS plan. The City does not pay any portion of such contributions. See the caption “—AB 340” below.

The City had an unfunded accrued liability of \$52,992,224 for its CalPERS plan as of June 30, 2013 based on a market value of assets of \$97,111,799, as set forth in the most recent actuarial report prepared by CalPERS, and an estimated unfunded accrued liability of \$54,279,911 for the Miscellaneous Plan for Fiscal Year 2014.

Under GASB Statement No. 27, an employer reports an annual pension cost equal to the ARC plus an adjustment for the cumulative difference between the annual pension cost and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation and may be positive or negative. The ARC for Fiscal Year 2014 was determined by an actuarial valuation of the plan as of June 30, 2012 and the ARC for Fiscal Year 2015 has been determined by an actuarial valuation of the plan as of June 30, 2013.

The following table summarizes the City's annual required contributions for its CalPERS plan for the last five audited Fiscal Years:

| <i>Fiscal Year</i> | <i>Employer Contribution</i> | <i>City-Funded Employee Contribution</i> | <i>Employee Contribution</i> | <i>Annual Pension Cost</i> | <i>Percentage of Annual Pension Cost Contributed</i> |
|--------------------|------------------------------|--|------------------------------|----------------------------|--|
| 2010               | \$5,233,518                  | \$1,698,565                              | \$ 85,906                    | \$6,932,083                | 100.0%   |
| 2011               | 5,214,878                    | 1,596,396                                | 149,685                      | 6,811,274                  | 100.0  |
| 2012               | 5,402,864                    | 1,434,567                                | 185,742                      | 6,837,431                  | 100.0  |
| 2013               | 4,793,228                    | 1,064,397                                | 152,919                      | 5,857,625                  | 100.0  |
| 2014               | 4,267,872                    | 1,234,304                                | 274,755                      | 5,502,176                  | 100.0  |

The following table sets forth the schedule of funding for the City's CalPERS plan. The employer contribution rate for Fiscal Year 2016 is 24.859% of annual covered payroll.

| <i>Valuation Date</i> | <i>Entry Age Normal Accrued Liability</i> | <i>Actuarial Value of Assets</i> | <i>Unfunded Actuarial Accrued Liability</i> | <i>Funded Ratio<sup>(1)</sup></i> | <i>Annual Covered Payroll</i> | <i>Unfunded Actuarial Accrued Liability as Percentage of Payroll</i> |
|-----------------------|---|----------------------------------|---|-----------------------------------|-------------------------------|--|
| 06/30/09              | \$109,758,482                             | \$78,175,287                     | \$31,583,195                                | 71.2%                             | \$26,384,952                  | 119.7%   |
| 06/30/10              | 120,692,084                               | 85,693,181                       | 34,998,903                                  | 71.0                              | 23,670,851                    | 147.9  |
| 06/30/11              | 132,322,141                               | 92,912,456                       | 39,409,685                                  | 70.2                              | 24,148,281                    | 163.2  |
| 06/30/12              | 140,092,781                               | 99,774,860                       | 40,317,921                                  | 71.2                              | 22,103,213                    | 182.4  |
| 06/30/13              | 150,104,023                               | 97,111,799 <sup>(2)</sup>        | 52,992,224                                  | 64.7                              | 22,600,050                    | 234.5  |

<sup>(1)</sup> Based on the actuarial value of assets.

<sup>(2)</sup> Beginning with the 6/30/2013 actual valuation, the actuarial value of assets equals the market value of assets.

Source: CalPERS Actuarial Report Dated October 2014.

CalPERS reported significant investment losses in 2009. CalPERS earnings reports for Fiscal Years 2010, 2011, 2012, 2013, 2014 and 2015 reported an investment gain of 13.0%, 21.7%, 1%, 12.5%, 18.4% and 2.4%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. The CalPERS pension trust pays all retiree benefit payments associated with the City's plan.

**Actuarial Methods.** The staff actuaries at CalPERS annually prepare an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is delivered (thus, the actuarial valuations delivered to the City in October 2014 covered the City's Fiscal Year ended June 30, 2013). The actuarial valuations express the City's required contribution rates in percentages of covered payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rate derived from the actuarial valuation as of June 30, 2012, which was delivered in October 2013, affects the City's Fiscal Year 2015 required contribution rate). CalPERS rules require the City to implement the actuary's recommended rates. CalPERS provides a lump

sum payment option that the City may opt to pay in July of each year, rather than having payment transmitted as a percentage of each reported biweekly payroll.

In calculating the annual actuarially recommended contribution rates, the CalPERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that CalPERS will fund under the CalPERS plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the “UAAL”). The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability that the City owes to CalPERS under its CalPERS plans.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the “Actuarial Value”) of the CalPERS plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during that Fiscal Year equaled the assumed rate of return, currently 7.5%). As described below, these policies and actuarial assumptions have changed significantly in recent years and are expected to change or be modified further by CalPERS in the future. The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. Certain significant recent changes in assumptions include the following:

1. On April 17, 2013, the CalPERS Board approved a plan: (i) to replace the current 15 year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30 year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS’ Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the City about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS’ fiscal year 2009 market losses described below) of the City’s CalPERS plan in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes will be reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for Fiscal Year 2016 and thereafter. As a preliminary estimate, the City has currently budgeted for increases in its annual pension contributions of approximately \$249,553 per year for its CalPERS plan.

2. On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial assumptions used to determine employer contribution rates. This reduced the assumed investment return from 7.75% to 7.5%, reduced the long-term payroll growth assumption from 3.25% to 3.0%, and adjusted the inflation component of individual salary scales from 3.25% to a merit scale varying by duration of employment, an assumed annual inflation component of 3% and an annual production growth of 0.25%. Although the full impact of such changes is not yet clear, CalPERS has estimated that they could result in net increases in future contribution levels of approximately 1% to 2%; however, the reduction in the inflation assumption could partially mitigate increases, if any, in the City’s required annual contributions resulting from the reduction in the assumed investment rate of return, as described above.

In addition, in February 2010, the CalPERS Board adopted a resolution requiring additional contributions for any plan or pool if the cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis of the plan to either:

- Increase by at least 15% by June 30, 2043; or
- Reach a level of 75% funded by June 30, 2043.

Such contributions have been factored into the City's contribution rates set by CalPERS.

***Changes in Pension Accounting Standards.*** Reporting obligations under GASB Statement No. 68 ("GASB 68") will commence with financial statements for Fiscal Year 2015. Under GASB 68, there are new standards for measuring and recognizing pension liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute such present value to periods of employee service.

**AB 340.** On September 12, 2012, the State Governor signed AB 340, which implements pension reform in California. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit. If AB 340 is implemented fully, CalPERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

Provisions in AB 340 will not likely have a material effect on City's contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the City's UAAL and potentially reduce City contribution levels in the long term.

***Change in Pensionable Compensation.*** On August 21, 2014, the CalPERS Board approved changes to clarify the types of compensation upon which pension benefits are based, primarily for employees hired after January 1, 2013. Under the changes, the CalPERS Board identified several dozen specific types of compensation which will count toward pension benefit calculations, including temporary and special assignment payments and certain categories of tasks, and identified types of compensation that will not be included in pension benefit calculations. Although the changes could result in an increase in the City's future CalPERS contributions, it is not currently possible to quantify the magnitude of such increases. The City believes that any such changes would be immaterial to its CalPERS contributions.

For additional information relating to the City's plan, see Note 8 to the City's audited financial statements for Fiscal Year 2014 attached hereto as Appendix B.

No assurance can be provided that the City's CalPERS plan expenses will not increase significantly in the future.

## **Other Post-Employment Benefits**

The City provides post-employment health care benefits to qualified retired employees. Employees are eligible for such benefits if they were hired prior to September 30, 2011 and retire directly from the City at or after age 50 with at least five years of CalPERS membership. Employees hired after September 30, 2011 are not eligible for such benefits; the City no longer offers such benefits to employees hired after September 30, 2011. The City's plan is an agent multiple-employer defined benefit other post-employment benefits ("OPEB") plan. The OPEB plan contributes an amount for the retiree and dependents, as applicable, for certain healthcare services.

The contribution requirements for OPEB plan participants and the City are established and may be amended by the City Council. The annual required contribution (the "OPEB ARC") is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The OPEB ARC is equal to the normal cost each year plus a closed 30 year period amortization (ending in 2028) of the unfunded actuarial liability. Based on the actuarial valuation of the City's OPEB plan as of June 30, 2013, the OPEB ARC for Fiscal Year 2015 was approximately \$902,000 and the OPEB ARC for Fiscal Year 2016 is expected to be \$904,000. The OPEB valuation that was prepared as of June 30, 2013, in accordance with GASB Statement No. 45, was used for reporting OPEB information in the City's financial statements for Fiscal Year 2014.

In July 2015, Bartel & Associates completed an actuarial valuation of the City's OPEB plan based on a valuation date of January 1, 2015. The report was developed in accordance with new accounting standards established by GASB Statement No. 75 ("GASB 75"), which requires that the valuation include the value of the "implied subsidy" of older retired participants by a younger active workforce in a pooled rate medical plan. The City intends to continue to pay the full OPEB ARC without the impact of the implied subsidy included.

Based on the 2015 actuarial valuation of the City's OPEB plan, the OPEB ARC for Fiscal Year 2017 is expected to be \$1,426,000 using the new methodology compliant with GASB 75 (or \$1,341,000 using the old methodology).

The City is not required to fund the amortization of the unfunded actuarial liability. Prior to June 2009, the City's policy was to pay for OPEB plan costs as they are incurred. In June 2009, the City Council approved the establishment of an irrevocable OPEB trust (the "OPEB Trust") and approved and authorized an agreement with CalPERS to administer the OPEB Trust on its behalf. The City estimates that the establishment of the OPEB Trust and pre-funding of the City's OPEB liability will significantly reduce the City's unfunded OPEB obligation. Based on the 2015 actuarial valuation, the actuarial unfunded liability of the City's OPEB plan was estimated to be approximately \$10,343,000 using the new methodology compliant with GASB 75 (or \$9,428,000 using the old methodology).

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last five Fiscal Years was as follows:

| <b>Fiscal Year</b> | <b>Annual OPEB Cost<sup>(1)</sup></b> | <b>Percentage of Annual OPEB Cost Contributed</b> | <b>Net OPEB Obligation<sup>(2)</sup></b> |
|--------------------|---------------------------------------|---|--|
| 2010               | \$1,425,000                           | 100%  | \$ -                                     |
| 2011               | 1,564,000                             | 100   | -  |
| 2012               | 1,615,000                             | 72  | 450,000                                  |
| 2013               | 1,018,000                             | 56  | 900,000                                  |
| 2014               | 1,066,000                             | 58  | 1,347,000                                |

<sup>(1)</sup> Equal to the OPEB ARC.

<sup>(2)</sup> See Note 9 in Appendix B for a description of the calculation of the net OPEB obligation.

Historical information with respect to the funded status of the City's OPEB plan is set forth below.

| <b>Valuation Date</b>   | <b>Actuarial Accrued Liability</b> | <b>Actuarial Value of Assets</b> | <b>Unfunded Actuarial Accrued Liability</b> | <b>Funded Ratio<sup>(1)</sup></b> | <b>Annual Covered Payroll</b> | <b>Unfunded Actuarial Accrued Liability as Percentage of Payroll</b> |
|-------------------------|------------------------------------|----------------------------------|---|-----------------------------------|-------------------------------|--|
|                         |                                    |                                  |   |                                   |                               |  |
| 01/01/10                | \$13,600,000                       | \$2,386,000                      | \$11,214,000                                | 17.5%                             | \$22,465,000                  | 49.9%  |
| 06/30/11                | 11,670,000                         | 4,428,000                        | 7,242,000                                   | 37.9                              | 23,195,000                    | 31.2   |
| 06/30/13                | 12,531,000                         | 6,186,000                        | 6,345,000                                   | 49.4                              | 21,589,000                    | 29.4   |
| 06/30/15 <sup>(1)</sup> | 18,148,000                         | 7,805,000                        | 10,343,000                                  | 43.1                              | 19,426,000 <sup>(2)</sup>     | 53.2   |

<sup>(1)</sup> Reflects effect of implied subsidy in accordance with new GASB 75 requirements, as described above. Not comparable with prior years.

<sup>(2)</sup> This figure is based on the June 30, 2013 actuarial valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the City's financial statements set forth in Appendix B, presents multi-year trend information about whether the actuarial value of OPEB plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits are based on the substantive plan and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are described in detail in Note 9 to Appendix B.

### **City Investment Policy**

The City invests its funds in accordance with the City's investment policy (the "Investment Policy"), which was most recently amended in June 2015. In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The City's Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of insuring the safety of invested funds by limiting credit and market risks. Eligible investments are generally limited to the Local Agency Investment Fund which is operated by the California State Treasurer, the County investment pool for local agencies, local agency bonds, U.S. Treasury Bills, Notes and Bonds, obligations issued by United States Government agencies, FDIC-insured or negotiable certificates of deposit, repurchase agreements, banker's acceptances and commercial paper rated A1/P1, as applicable, or better, and money market funds rated in the highest category by Moody's or S&P or administered by a domestic bank with long-term debt rated in one of the top two categories of Moody's and S&P. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

The City Treasurer is required to provide a quarterly report to the City Manager and the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest, and other such information as may be required by the City Council.

A summary of the City's investments as of June 30, 2015 is set forth in the below table. Approximately \$35.6 million (21%) of the total investment portfolio as of June 30, 2015 was attributed to the General Fund.

**CITY OF MORENO VALLEY  
INVESTMENTS AS OF JUNE 30, 2015<sup>(1)</sup>**

| <i><b>Investment Type</b></i>    | <i><b>Investment Maturity</b></i> |                                  |                            |                            |                             |
|----------------------------------|-----------------------------------|----------------------------------|----------------------------|----------------------------|-----------------------------|
|                                  | <i><b>6 Months or Less</b></i>    | <i><b>6 Months to 1 Year</b></i> | <i><b>1 to 3 Years</b></i> | <i><b>3 to 5 Years</b></i> | <i><b>Total</b></i>         |
| Local Agency Investment Fund     | \$28,878,182                      | \$ -                             | \$ -                       | \$ -                       | \$ 28,878,182               |
| Asset-Backed Securities          | 1,159,853                         | 1,177,616                        | 6,604,508                  | -                          | 8,941,977                   |
| Commercial Paper                 | 3,043,392                         | -                                | -                          | -                          | 3,043,392                   |
| US Corporate                     | 1,348,107                         | 2,978,195                        | 21,902,935                 | 11,106,932                 | 37,336,169                  |
| US Treasury Notes                | 1,055,661                         | 1,723,116                        | 13,243,871                 | 13,114,870                 | 29,137,517                  |
| Federal Farm Credit Bank         | 3,202,388                         | 1,660,002                        | -                          | -                          | 4,862,390                   |
| Federal Home Loan Bank           | -                                 | 5,002,762                        | 7,889,434                  | -                          | 12,892,195                  |
| Federal Home Loan Mortgage Corp. | -                                 | -                                | 13,906,077                 | 4,868,905                  | 18,774,982                  |
| Federal National Mortgage Assn.  | -                                 | 773,976                          | 10,911,429                 | 9,314,060                  | 20,999,465                  |
| Federated Government             | 244,340                           | -                                | -                          | -                          | 244,340                     |
| Cash                             | <u>4,515,143</u>                  | <u>-</u>                         | <u>-</u>                   | <u>-</u>                   | <u>4,515,143</u>            |
| <b>Totals</b>                    | <b><u>\$43,447,066</u></b>        | <b><u>\$ 13,315,667</u></b>      | <b><u>\$74,458,254</u></b> | <b><u>\$38,404,767</u></b> | <b><u>\$169,625,754</u></b> |

<sup>(1)</sup> Totals may not add due to rounding.

Source: City.

See Note 3 in Appendix B for further information with respect to City investments.

## **RISK FACTORS**

*The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2015 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2015 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.*

### **General Considerations – Security for the Series 2015 Bonds**

The Series 2015 Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Trust Agreement. Neither the faith and credit nor the taxing power of the Authority, the City, the State, or any political subdivision thereof, is pledged to the payment of the Series 2015 Bonds. The Authority has no taxing power.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City, the County or the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City, the County or the State has levied or pledged any form of taxation.

Although the Facilities Sublease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Facilities Sublease to pay the Base Rental Payments and Additional Payments from any source of legally available funds, and the City has covenanted in the Facilities Sublease to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due thereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments, subject to abatement. The City is currently liable and may become liable

on other obligations payable from general revenues. See the caption “CITY FINANCIAL INFORMATION—Indebtedness—General Fund-Supported Debt.”

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues, including pension obligations and essential services. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event that the City’s revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Facilities Sublease. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, the City’s appropriations have never exceeded the limitation on appropriations under Article XIIIIB of the State Constitution. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIIIIB of the State Constitution.”

### **Abatement**

In the event of substantial interference with the City’s right to use and occupy any portion of the Property by reason of damage to or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Abatement.” In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City’s rental interruption insurance will be available in lieu of Base Rental Payments, plus the period in which funds are available from the funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2015 Bonds, there could be insufficient funds to make payments to Owners in full.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, the value of the Property could be substantially higher or lower than its value at the time of the issuance of the Series 2015 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2015 Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2015 Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Facilities Sublease and the Trust Agreement, no remedy is available to the Series 2015 Bond Owners for nonpayment under such circumstances.

### **Natural Disasters**

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake or flood, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of the Base Rental Payments. The City does not maintain earthquake insurance for the Property.

Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. However, no major earthquake has caused substantial damage to the City.

An earthquake along one of the faults in the vicinity of the City, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make the Base Rental Payments. Reduced ability to make the Base Rental Payments could affect the payment of the principal of and interest on the Series 2015 Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Property. See the caption "THE CITY—Risk Management." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

### **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of such property by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The City has not independently verified, but is not aware of, the presence of any hazardous substances on the Property. Hazardous substance liabilities may arise in the future with respect to any of the property in the City resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

### **Other Financial Matters**

Due to weakness in the economy of the State and the United States, it is possible that the general revenues of the City will decline. Such financial matters may have a detrimental impact on the City's General Fund, and, accordingly, may reduce the City's ability to make Base Rental Payments. See the caption "CITY FINANCIAL INFORMATION."

In addition, City expenses could also rise as a result of unforeseen events, including but not limited to increases in pension obligations or a determination that the Successor Agency's payment obligations under various agreements with the City are not enforceable obligations. Such a determination could require the City to make payments that were expected to come from Successor Agency funds from General Fund moneys or cause moneys received from the Successor Agency to be lower than budgeted. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION—Redevelopment Dissolution."

## **Substitution, Addition and Removal of Property; Additional Bonds**

The Authority and the City may amend the Facilities Sublease: (a) to substitute alternate real property for any portion of the Property; (b) to add additional real property to the Property; or (c) to release a portion of the Property from the Facilities Sublease, upon compliance with all of the conditions set forth in the Facilities Sublease. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Facilities Sublease. Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Substitution, Addition and Removal of Property" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Bonds."

Although the Facilities Sublease requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments becoming due in the then current Fiscal Year or in any subsequent Fiscal Year, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2015 Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See Appendix A.

The Trust Agreement requires, among other things, that upon the issuance of Additional Bonds, the Facilities Lease and the Facilities Sublease will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Payments, in any Fiscal Year is in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Bonds" for a full description of the requirements that must be met in order for the Authority to issue Additional Bonds.

## **Limited Recourse on Default; No Acceleration of Base Rental**

Failure by the City to make Base Rental Payments or other payments required to be made under the Facilities Sublease, or failure to observe and perform any other terms, covenants or conditions contained in the Facilities Sublease or in the Trust Agreement for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute events of default under the Facilities Sublease and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Facilities Sublease or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Facilities Sublease.

The enforcement of any remedies provided in the Facilities Sublease and the Trust Agreement could prove both expensive and time consuming. If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Facilities Sublease and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Facilities Sublease to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Facilities Sublease, retake possession of the Property and proceed against the City to recover damages pursuant to the Facilities Sublease. Due to the

specialized and limited nature of the Property, existing Permitted Encumbrances (as such term is defined in Appendix A) on the Property, and the restrictions on its use, it is unlikely that the Trustee would be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2015 Bonds when due. Similar limitations and constraints would apply to any property substituted for the Property pursuant to the Facilities Sublease. Moreover, the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2015 Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS” and “THE PROPERTY” and Appendix A.

### **Possible Insufficiency of Insurance Proceeds**

The Facilities Sublease obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Facilities Sublease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2015 Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be covered under the Facilities Sublease, and therefore, are not carried by the City. See the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Insurance” and “THE CITY—Risk Management.”

### **Limitations on Remedies**

The rights of the Owners of the Series 2015 Bonds are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Furthermore, the remedies available to the Owners of the Series 2015 Bonds upon the occurrence of an event of default under the Trust Agreement or the Facilities Sublease are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Additionally, enforceability of the rights and remedies of the Owners of the Series 2015 Bonds, and the obligations incurred by the City, may become subject to the provisions of Title 11 of the United States Code (the “Bankruptcy Code”) and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or later in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Series 2015 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the City, involuntary petitions are not permitted. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Series 2015 Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Sublease, and from taking any steps to collect amounts due from the City under the Facilities Sublease.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the Series 2015 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Series 2015 Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Facilities Sublease or fails to pay Base Rental

Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the Series 2015 Bonds.

### **No Liability of Authority to the Owners**

Except as expressly provided in the Trust Agreement, the Authority has no obligation or liability to the Owners of the Series 2015 Bonds with respect to: (a) the payment when due of the Base Rental Payments by the City; (b) the performance by the City of other agreements and covenants required to be performed by it contained in the Facilities Sublease or the Trust Agreement; or (c) the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Series 2015 Bonds or, if a secondary market exists, that the Series 2015 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Risks Associated with Bond Insurance**

In the event that the Authority defaults in the payment of principal of or interest on the Series 2015 Bonds when due, the owners of the Series 2015 Bonds will have a claim under the Policy for such payments. See the caption “BOND INSURANCE.” In the event that AGM becomes obligated to make payments with respect to the Series 2015 Bonds, no assurance can be given that such event will not adversely affect the market for the Series 2015 Bonds. In the event that AGM is unable to make payment of principal of and interest on the Series 2015 Bonds when due under the Policy, the Series 2015 Bonds will be payable solely from Revenues and amounts held in certain funds and accounts established under the Trust Agreement, as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS.”

The long-term rating on the Series 2015 Bonds is dependent in part on the financial strength of AGM and its claims-paying ability. AGM’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of AGM are lowered, such event could adversely affect the market for the Series 2015 Bonds. See the caption “RATINGS.”

None of the Authority, the City nor the Underwriter have made an independent investigation of the claims-paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is being made by the Authority, the City or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Series 2015 Bonds, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Series 2015 Bonds, assuming that the Policy is not available for that purpose, and the claims-paying ability of AGM through final maturity of the Bonds.

So long as the Policy remains in effect and AGM is not in default of its obligations thereunder, AGM has certain notice, consent and other rights under the Trust Agreement and will have the right to control all remedies for default under the Trust Agreement. AGM is not required to obtain the consent of the owners of the Series 2015 Bonds with respect to the exercise of remedies. See Appendix A.

## STATE OF CALIFORNIA BUDGET INFORMATION

### **State Budget**

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance (the “DOF”), <http://www.dof.ca.gov>, under the heading “California Budget.” An impartial analysis of the budget is posted by the Legislative Analyst’s Office (the “LAO”) at <http://www.lao.ca.gov>. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City can take no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

### **Budget for State Fiscal Year 2015-16**

In recent years, when there have been anticipated State budget shortfalls, the State Governor has proposed, and the State Legislature has approved, the shift of property tax revenues from cities, counties and special districts to schools. See the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A.”

On June 24, 2015, the Governor signed into law the State budget for fiscal year 2015-16 (the “2015-16 Budget”). The following information is drawn from the DOF’s summary of the 2015-16 Budget, as well as a summary prepared by the LAO. The City can take no responsibility for the accuracy, completeness or timeliness of information in such summaries.

For fiscal year 2014-15, the 2015-16 Budget projects total State general fund revenues of approximately \$111.3 billion and total State general fund expenditures of approximately \$114.5 billion. The 2015-16 Budget projects that the State will end fiscal year 2014-15 with a general fund ending balance of approximately \$2.4 billion and total reserves of approximately \$3 billion (including approximately \$1.5 billion in the traditional general reserve and approximately \$1.6 billion in the Budget Stabilization Account (the “BSA”), the State’s basic reserve fund). For fiscal year 2015-16, the 2015-16 Budget projects total State general fund revenues of approximately \$115 billion and total expenditures of approximately \$115.4 billion, leaving the State with a year-end general fund balance of approximately \$2 billion. The 2015-16 Budget projects total year-end reserves of approximately \$4.6 billion, including approximately \$1.1 billion in the traditional general fund reserve and approximately \$3.5 billion in the BSA.

As a result of higher than anticipated State revenues, the 2015-16 Budget includes revised estimates to the Proposition 98 minimum funding guarantees for schools for fiscal years 2013-14 and 2014-15. The fiscal year 2013-14 minimum guarantee is revised upward to approximately \$58.9 billion, an increase of approximately \$612 million over the estimate included in the fiscal year 2014-15 State budget. For fiscal year 2014-15, the 2015-16 Budget revises the minimum guarantee upward to approximately \$66.3 billion, an increase of approximately \$5.4 billion over the estimate included in the fiscal year 2014-15 State budget.

The 2015-16 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at approximately \$68.4 billion, including approximately \$49.4 billion of support from the State general fund. This represents a year-to-year increase of approximately \$2.1 billion over the revised level for fiscal year 2014-15. For K-12 education, the 2015-16 Budget provides total Proposition 98 funding of approximately \$59.5 billion, including approximately \$43.2 billion from the State general fund. Under the 2015-16 Budget, K-12 per-pupil spending in fiscal year 2015-16 is \$9,942, an increase of \$1,011 (or approximately 11%) from the prior year.

Significant proposals or adjustments set forth in the 2015-16 Budget affecting public agencies in the State include the following:

- Law Enforcement. The 2015-16 Budget continues a \$40 million general fund allocation to “front line” law enforcement activities. The Board of State and Community Corrections allocates funds to individual cities acting as the fiduciary agent within each county receiving the funds.
- Transportation. The 2015-16 Budget includes total funding of approximately \$15.9 billion (approximately \$261 million from the general fund and \$15.7 billion from other funds) for all programs administered within the State Transportation Agency. In addition, the shared revenues budget allocates over \$1.4 billion in fuel excise tax to cities and counties for local streets and roads.
- Elimination of Redevelopment Agencies. The 2015-16 Budget anticipates that in State fiscal years 2014-15 and 2015-16 combined, cities will receive approximately \$580 million, counties will receive approximately \$660 million and special districts will receive approximately \$200 million.
- Property Taxes. The 2015-16 Budget anticipates ongoing property tax revenues of more than \$900 million annually to be distributed to cities, counties, and special districts that can be used by local governments to fund police, fire, and other critical public services.
- State Mandate Reimbursements. The 2015-16 Budget continues the suspension of most mandates not related to law enforcement or property taxes. After satisfying the State Constitutional funding guarantee, additional revenues of up to \$800 million are proposed to pay down the remainder of the State’s pre-2004 mandate debt. The 2015-16 Budget estimates that a trigger mechanism will result in a \$533 million payment toward this mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.
- Deferred Maintenance. The 2015-16 Budget includes approximately \$478 million (approximately \$125 million from the general fund) for critical deferred maintenance at universities, community colleges and in State parks, prisons, State hospitals and other State facilities.
- Education. The 2015-16 Budget provides over \$1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment, and apprenticeships intended to provide training and education to workers in California.
- Drought Response. The State has experienced four consecutive years of below-average rain and snow, and is currently facing severe drought conditions in all 58 counties. The 2015-16 Budget includes the amount of approximately \$1.8 billion (in addition to approximately \$1.9 billion that was previously appropriated) of one-time resources to continue the State’s response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

The Governor’s Budget Summary for the Proposed Budget (the “2015-16 Proposed Budget Summary”), which was released in January 2015, cautioned that, since 2000, the State’s short periods of balanced budgets have been followed by massive budget shortfalls. The 2015-16 Proposed Budget Summary also noted that commitments made by the State in the past two years are already straining the State’s finances. Under a projection of current policies, the 2015-16 Proposed Budget Summary anticipated that the State would begin to spend more than it receives in annual revenues by State fiscal year 2018-19, by an amount of approximately \$1 billion. The City cannot predict whether the State will take steps, in response to a future budget shortfall, which would reduce the amount of tax revenue available to the City. The State budget will be affected by national and State economic conditions and other factors over which the City will have no control. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the City.

The 2015-16 Budget also includes an update of the trigger mechanism payment discussed in the bullet point “State Mandate Reimbursements.” The 2015-16 Budget estimates that the trigger mechanism calculation will result in a \$765 million payment toward pre-2004 mandate debt (an increase of approximately \$232 million from the proposed fiscal year 2015-16 budget) owed by the State to cities, counties and special districts.

For additional information regarding the 2015-16 Budget, see the DOF website at [www.dof.ca.gov](http://www.dof.ca.gov). The information presented on such website is not incorporated herein by reference.

### **Potential Impact of State Financial Condition on the City**

The State has experienced significant financial stress in recent years, with budget shortfalls in the several billions of dollars. There can be no assurance that, as a result of such State financial stress, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. Although the State is not a significant source of City revenues, no prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

### **Redevelopment Dissolution**

**General.** On December 29, 2011, the State Supreme Court upheld Assembly Bill 1x26 (“AB 1x26”), which dissolved redevelopment agencies in the State. The effect of AB 1x26 upon the City is the termination of the redevelopment functions of the Community Redevelopment Agency of the City of Moreno Valley (the “Former Agency”) and the transfer of such functions to a successor agency (the City, referred to in the capacity of a successor agency, and being referred to in this context as the “Successor Agency”) tasked with winding down the Former Agency’s redevelopment activities. Under AB 1x26, the Successor Agency cannot enter into new redevelopment projects or obligations and its assets can be used only to pay enforceable obligations, which enforceable obligations are generally limited to obligations in existence in mid-2011, when AB 1x26 was signed by the Governor. In addition, the Successor Agency will receive tax increment revenues in amounts that are sufficient to pay 100% (but no greater amount) of such enforceable obligations until such obligations (including accrued interest, as applicable) are paid in full, at which time the Successor Agency will be dissolved. Certain tax revenues formerly allocable to the Former Agency will continue to be available to the Successor Agency to pay certain obligations, and a portion of such revenues may be redirected to other taxing agencies, such as the County, school districts and the City. The Successor Agency’s activities are subject to review by an oversight board established under AB 1x26. Under AB 1x26, liabilities of the Successor Agency are not liabilities of the City.

On June 27, 2012, the Governor signed Assembly Bill 1484 (“AB 1484”), which made certain amendments to AB 1x26. Under AB 1484, the County Auditor-Controller, the DOF and the State Controller may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of the Community Redevelopment Law, as amended by AB 1x26 and AB 1484, and if such funds are not returned within 60 days, they may be recovered through an offset of sales and use tax or property tax allocations to the local agency, which, in the case of the Successor Agency, is the City.

On September 22, 2015, the following amendments to the dissolution legislation discussed under the caption “—General” were enacted as Senate Bill 107 (“SB 107”): (1) redevelopment successor agencies that enter into a written agreement with the DOF to remit unencumbered cash to the county auditor-controller will receive a finding of completion, which provides successor agencies with additional fiscal tools and reduced State oversight; (2) successor agencies that have a “Last and Final” ROPS (as discussed below) may expend a portion of proceeds of bonds issued in 2011, which proceeds are currently frozen; (3) pension or State Water Project override revenues that are not pledged to or not needed for redevelopment bond debt

service will be returned to the entity that levies the override; (4) agreements relating to State highway improvements and money loaned to successor agencies to pay costs associated with redevelopment dissolution litigation will be considered enforceable obligations; and (5) reentered agreements entered into after the passage of AB 1484 are unenforceable unless entered into for the purpose of providing administrative support.

SB 107 also: (a) requires the preparation of a Recognized Obligation Payment Schedule with respect to enforceable obligations (a “ROPS”), which are required to be submitted to the oversight board and the DOF in accordance with AB 1x26, once a year beginning with the ROPS period that commences on July 1, 2016 (rather than twice a year under current law); (b) establishes an optional “Last and Final” ROPS process beginning in September 2015; under this process, a successor agency that elected to submit a “Last and Final” ROPS would no longer submit a periodic ROPS and the enforceable obligations set forth in the “Last and Final” ROPS would be binding on all parties; and (c) clarifies that former tax increment caps and plan limits do not apply for the purposes of paying approved enforceable obligations.

***Impact on the City.*** Significant provisions of AB 1x26, AB 1484, SB 107 and implementing actions of affected parties, including the Successor Agency, the oversight board, the County and the DOF, may be subject to legal challenge, statutory or administrative changes and other clarifications which could affect the impact of the dissolution of redevelopment on the City and its General Fund. The DOF has periodically proposed additional legislation which would modify statutes affecting redevelopment dissolution; it is not known whether additional legislation will be enacted. The full extent of the impact of the implementation of AB 1x26, AB 1484 and SB 107 or potential future legislation on the City’s General Fund is unknown at this time. While certain administrative costs previously charged to the Former Agency by the General Fund will no longer be supported by the Successor Agency, certain property tax revenues formerly allocated to the Former Agency will now be received by the City’s General Fund.

The City does not believe that it has received material amounts from the Former Agency or the Successor Agency which may be asserted to be in violation of AB 1x26 or AB 1484.

There can be no assurance that the City and the Successor Agency will not enter into additional loan agreements in the future to enable the Successor Agency to meet its payment obligations in future years.

***Successor Agency Obligations to the General Fund.*** Although AB 1x26 generally invalidates agreements between host cities and their former redevelopment agencies, provision is made for the enforcement of agreements entered into with respect to obligations which meet certain specified criteria. The City believes that the Successor Agency’s payment obligations under a note relating to the Moreno Valley Mall at Towngate (the “Towngate Regional Mall Note”) and miscellaneous other advances (the “Other Advances”) to the Former Agency, each as described below, constitute enforceable obligations of the Successor Agency. The City expects that the Successor Agency will continue to be able to apply tax increment revenues to the payment of such obligations. The City has listed the Towngate Regional Mall Note and the Other Advances in its ROPS, and such obligations have been approved as enforceable obligations by the Successor Agency’s oversight board and the DOF. However, there can be no assurance that such entities, the State Controller, other State or County bodies implementing the dissolution of redevelopment or a court will not disagree with the City’s interpretation and seek to prohibit the Successor Agency from making the payments on the Towngate Regional Mall Note and the Other Advances in the future or that additional legislation could be enacted which will not be consistent with the City’s interpretation.

As of June 30, 2014, the Towngate Regional Mall Note was outstanding in the principal of \$13,000,000. The Towngate Regional Mall Note originated from a participation agreement (as amended) whereby the Former Agency acquired certain parcels within the Moreno Valley Mall at Towngate for subsequent transfer to anchor tenants. The Towngate Regional Mall Note bears interest at the rate of 7.25% per annum and is payable from the property tax increment and up to 50% of the sales tax revenues generated from the acquired parcels. In Fiscal Year 2004, the City purchased the rights to the Towngate Regional Mall Note from the holder thereof and, thereafter, has received the associated interest and principal payments related

thereto. Through negotiations with the DOF, the City has reached an agreement which amends the terms of the Towngate Regional Mall Note such that \$1,400,000 will now be paid annually to the City from revenues in the Redevelopment Property Tax Trust Fund maintained by the County Auditor-Controller with respect to the former redevelopment project areas within the City through December 2035. On September 23, 2014 and September 24, 2014, respectively, the Successor Agency and the Successor Agency's oversight board approved resolutions that incorporate terms of the agreement reached between the City and the DOF. Such resolutions provided for the restructuring of the Towngate Regional Mall Note payment schedule for submission to the DOF. The restructured payment schedule was approved as part of the 2014/15B ROPS on November 15, 2014.

As of June 30, 2014, the Other Advances were outstanding in the principal amount of \$652,248. The Other Advances were used by the Former Agency for various redevelopment purposes and are payable from available Successor Agency moneys. The Other Advances bear interest at the rate of 12% but do not have a specific maturity date.

There can be no assurances that AB 1x26, AB 1484 and/or subsequent implementing statutes will not interfere with the receipt by the City from the Successor Agency of the amounts contemplated to be received by the City pursuant to the Towngate Regional Mall Note, the Other Advances or otherwise.

To the extent that the Successor Agency's assets are liquidated for distribution of proceeds to the affected taxing entities, the City currently expects that the City's General Fund will receive approximately 11% of such assets.

### **Future State Budgets**

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in future years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

### **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

There are a number of provisions in the State Constitution that limit the ability of the City to raise and expend tax revenues.

#### **Article XIII A of the State Constitution**

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIII A to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value', or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1,

1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes subject to Proposition 13 are a significant source of the City's General Fund revenues. See the caption "CITY FINANCIAL INFORMATION."

Legislation enacted by the State Legislature to implement Article XIIIIA provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIIA (new construction, change of ownership, 2% annual value growth) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. Article XIIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other limited circumstances.

### **Article XIIIIB of the State Constitution**

At the Statewide special election on November 6, 1979, the voters approved an initiative entitled "Limitation on Government Appropriations," which added Article XIIIIB to the State Constitution. Under Article XIIIIB, State and local government entities have an annual "appropriations limit" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues and investment proceeds thereof, certain State subventions and regulatory license fees, user charges and user fees to the extent that the proceeds thereof exceed the costs of providing such services, together called "proceeds of taxes," and certain other funds) in an amount higher than the "appropriations limit." Article XIIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or authorized as of October 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIIIIB, if those entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The City's appropriations have never exceeded the limitation on appropriations under Article XIIIIB of the State Constitution.

### **Proposition 62**

A statutory initiative ("Proposition 62") was adopted by the voters of the State at the November 4, 1986 general election which: (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIIA; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity

on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal.4th 220 (1995).

Proposition 62 applies to the imposition of any taxes or the implementation of any tax increases after its enactment in 1986, but the requirements of Proposition 62 are largely subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996. See the caption “—Proposition 218” below.

### **Proposition 218**

On November 5, 1996, State voters approved Proposition 218, an initiative measure entitled the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIIIC and XIIIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments are deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge may be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the *ad valorem* property tax imposed pursuant to Articles XIII and XIIIIA of the State Constitution; (b) any special tax receiving a two-thirds vote pursuant to the State Constitution; and (c) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such new provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City’s General Fund.

Although a portion of the City’s General Fund revenues are derived from general taxes purported to be governed by Proposition 218 as discussed under the caption “CITY FINANCIAL INFORMATION—Other Taxes,” all of such taxes were imposed in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges which support the City’s General Fund.

## **Unitary Property**

Some amount of property tax revenue of the City is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (the “SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City) according to statutory formula generally based on the distribution of taxes in the prior year.

## **Proposition 22**

On November 2, 2010, voters in the State approved Proposition 22, which eliminates the State’s ability to borrow or shift local revenues and certain State revenues that fund transportation programs. It restricts the State’s authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel, and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State’s ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds.

## **Proposition 1A**

As part of former Governor Schwarzenegger’s agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition 1A (“Proposition 1A”) at the November 2, 2004 general election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local governments’ property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2009, the State may borrow up to 8% of local property tax revenues, but only if the Governor proclaims that such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two Fiscal Years within a period of ten Fiscal Years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the Statewide local sales tax.

The Fiscal Year 2010 State budget included a Proposition 1A diversion of \$1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending. Such diverted revenues were required to be repaid, with interest, by no later than June 30, 2013. The amount of the Proposition 1A diversion from the City was \$1,307,713. The City participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and, as a result, received the shifted funds in the amount of \$1,307,713, without interest, in two installments in 2010 from the California Statewide Communities Development Authority. See the caption “CITY FINANCIAL INFORMATION—Property Taxes.”

## **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of

providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

## **Future Initiatives**

Articles XIIIIA and XIIIIB and Propositions 62, 218, 22, 1A and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting the City's current revenues or its ability to raise and expend revenues.

## **TAX MATTERS**

Interest on the Series 2015 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), is of the opinion that interest on the Series 2015 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Series 2015 Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2015 Bonds that acquire their Series 2015 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2015 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2015 Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2015 Bonds pursuant to this offering for the issue price that is applicable to such Series 2015 Bonds (i.e., the price at which a substantial amount of the Series 2015 Bonds are sold to the public) and who will hold their Series 2015 Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2015 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof

(including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2015 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2015 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2015 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2015 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2015 Bonds in light of their particular circumstances.

### **U.S. Holders**

**Interest.** Interest on the Series 2015 Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2015 Bonds is less than the amount to be paid at maturity of such Series 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2015 Bonds), the difference may constitute original issue discount (“OID”). U.S. Holders of Series 2015 Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2015 Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2015 Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2015 Bond.

**Sale or Other Taxable Disposition of the Series 2015 Bonds.** Unless a non-recognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority or other disposition of a Series 2015 Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2015 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2015 Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Series 2015 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2015 Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2015 Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2015 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the Series 2015 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

**Defeasance of the Taxable Bonds.** If the Authority defeases any Series 2015 Bond, the Series 2015 Bond may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder’s adjusted tax basis in the Series 2015 Bond.

**Information Reporting and Backup Withholding.** Payments on the Series 2015 Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2015 Bonds may be subject to backup withholding at the current rate of 28% with respect to “reportable payments,” which include interest paid on the Series 2015 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2015 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### **Non-U.S. Holders**

**Interest.** Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “FATCA,” payments of principal of, and interest on, any Series 2015 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Authority through stock ownership and (2) a bank which acquires such Series 2015 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Series 2015 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

**Disposition of the Series 2015 Bonds.** Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “FATCA,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority or a deemed retirement due to defeasance of the Series 2015 Bond) or other disposition of a Series 2015 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition and certain other conditions are met.

**U.S. Federal Estate Tax.** A Series 2015 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that, at the time of such individual’s death, payments of interest with respect to such Series 2015 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

**Information Reporting and Backup Withholding.** Subject to the discussion below under the heading “FATCA,” under current U.S. Treasury Regulations, payments of principal and interest on any Series 2015 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax

requirements if the beneficial owner of the Series 2015 Bond or a financial institution holding the Series 2015 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 28%.

#### **Foreign Account Tax Compliance Act (“FATCA”)—U.S. Holders and Non-U.S. Holders**

Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Series 2015 Bonds and sales proceeds of Series 2015 Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current Treasury Regulations, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (ii) certain “pass-thru” payments no earlier than January 1, 2017. However, the U.S. Treasury Department recently stated its intention to revise the current U.S. Treasury Regulations regarding FATCA to provide that withholding under FATCA generally will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain “pass-thru” payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2015 Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2015 Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

The form of Bond Counsel’s proposed opinion with respect to the Series 2015 Bonds is attached hereto in Appendix C.

#### **FINANCIAL ADVISOR**

The City has retained Fieldman Rolapp & Associates, Inc., Irvine, California (the “Financial Advisor”) as financial advisor in connection with the sale of the Series 2015 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## **CERTAIN LEGAL MATTERS**

The validity of the Series 2015 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C. Bond Counsel and counsel to the Underwriter will receive compensation from the City contingent upon the sale and delivery of the Series 2015 Bonds. Certain legal matters will be passed upon for the City and the Authority by Quintanilla & Associates, a Professional Corporation, Interim City Attorney and interim counsel to the Authority, for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Trustee by its counsel.

## **ABSENCE OF LITIGATION**

To the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2015 Bonds, the Facilities Lease, the Facilities Sublease or the Trust Agreement, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing. There are a number of lawsuits and claims from time to time pending against the City. In the opinion of the City Attorney, and taking into account likely insurance coverage and litigation reserves, there are no lawsuits or claims pending against the City that will materially affect the City's finances so as to impair its ability to pay Base Rental Payments when due.

## **UNDERWRITING**

The Series 2015 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter will purchase the Series 2015 Bonds from the Authority at an aggregate purchase price of \$10,320,498.00, representing the principal amount of the Series 2015 Bonds, less \$41,707.00 of original issue discount and less \$67,795.00 of Underwriter's discount.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2015 Bonds to certain dealers (including dealers depositing Series 2015 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

## **RATINGS**

S&P is expected to assign the Series 2015 Bonds the rating of "AA" based upon the delivery of the Policy by AGM at the time of issuance of the Series 2015 Bonds. S&P is also expected to assign the Series 2015 Bonds the rating of "A+" notwithstanding the delivery of the Policy. There is no assurance that any credit rating given to the Series 2015 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2015 Bonds. The ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own.

None of the Authority, the City or the Underwriter makes any representation as to AGM's creditworthiness and no representation that AGM's credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional

information on S&P's evaluations of the financial guaranty industry and individual financial guarantors, including AGM. See the caption "BOND INSURANCE" for further information relating to AGM.

## **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Certificate of the City, dated as of the date of issuance of the Series 2015 Bonds (the "Disclosure Certificate"), the City has covenanted for the benefit of the holders and Beneficial Owners of the Series 2015 Bonds to provide certain financial information and operating data relating to the District by 270 days following the end of the City Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ended June 30, 2015, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, maintained on the Internet at <http://emma.msrb.org>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in Appendix D. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission ("Rule 15c2-12").

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of such information does not mean that the Series 2015 Bonds are secured by any resources or property of the City or any entity other than Base Rental Payments. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS" and "RISK FACTORS—General Considerations – Security for the Series 2015 Bonds."

The City and its related entities have previously entered into continuing disclosure undertakings under Rule 15c2-12 in connection with the issuance of municipal obligations. In the past five years, the City and its related entities failed to file certain event notices required by their respective continuing disclosure undertakings on a timely basis relating to bond insurer rating downgrades of which the City was unaware. The City has filed a corrective notice regarding such bond insurer rating downgrades. In addition, the City filed a notice of defeasance of the Authority's 2005 Lease Revenue Bonds in July 2015, approximately 9 months after the defeasance of such obligations.

The City filed its Fiscal Year 2010 audited financial statements and continuing disclosure annual report (the "FY 2010 CDAR") in connection with the Moreno Valley Public Financing Authority 1997 Lease Revenue Bonds (the "1997 Bonds") after the date by which such information was required to be filed pursuant to the continuing disclosure undertaking for the 1997 Bonds. In addition, the FY 2010 CDAR did not include updates of certain Fiscal Year 2010 information that was required to be updated pursuant to the continuing disclosure undertaking for the 1997 Bonds.

In order to promote compliance by the City and its related entities, including the Authority and the Former Agency, with their respective continuing disclosure undertakings, the City has retained Willdan Financial Services ("Willdan") to serve as dissemination agent and assist such entities in complying with their continuing disclosure obligations. Willdan will also perform these duties for the land-secured financings involving the City's community facilities districts. Additionally the City has taken the steps to amend its existing debt policy, which has been approved by the City Council, to ensure future compliance with Rule 15c2-12.

Except as disclosed above, the City has not in the past five years failed to comply with such continuing disclosure undertakings in any material respect.

## **FINANCIAL STATEMENTS OF THE CITY**

Included as Appendix B are the audited financial statements of the City as of and for the Fiscal Year ended June 30, 2014, together with the report of the Auditor thereon dated November 24, 2014. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report, or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated November 24, 2014.

## **MISCELLANEOUS**

Summaries of certain documents and reports do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Trust Agreement, the Facilities Lease, the Facilities Sublease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the Chief Financial Officer of the City at 14177 Frederick Street, P.O. Box 88005, Moreno Valley, California 92552.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2015 Bonds.

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The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

**MORENO VALLEY PUBLIC FINANCING  
AUTHORITY**

By: /s/Michelle Dawson  
Executive Director

**CITY OF MORENO VALLEY**

By: /s/Michelle Dawson  
City Manager

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## APPENDIX A

### **SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS**

*The following summary discussion of selected features of the Facilities Lease, the Facilities Sublease and the Trust Agreement, are made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2015 Bonds are referred to the complete text of said documents, copies of which are available upon request from the Trustee or the City.*

#### **CERTAIN DEFINITIONS**

The following are definitions of certain of the terms used in the Facilities Lease, the Facilities Sublease or the Trust Agreement, to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of any of the terms defined herein:

The term “Acquisition and Construction Fund” means the fund by that name established pursuant to the Trust Agreement.

The term “Additional Payments” means all amounts payable to the Authority or the Trustee or any other person from the City as Additional Payments pursuant to the Facilities Sublease.

The term “Additional Projects” means public capital improvements, including equipment, located within the City and financed in whole or in part with the proceeds of Additional Bonds.

The term “AGM” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

The term “Base Rental Payments” means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Facilities Sublease.

The term “Base Rental Payment Schedule” means the schedule of Base Rental Payments payable to the Authority from the City pursuant to Facilities Sublease and attached thereto.

The term “Bond Insurance Policy” means each municipal bond insurance policy, if any, issued by the applicable Bond Insurer and guaranteeing, in whole or in part, the payment of principal or accreted value of and interest on a Series of Bonds.

The term “Bond Insurer” means any issuer or issuers of a policy or policies of municipal bond insurance obtained by the Authority to insure the payment of principal or accreted value of and interest on a Series of Bonds executed and delivered under the Trust Agreement, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. For the purposes of this definition, all consents, approvals or actions required by the Bond Insurer shall be by action of a majority of all Bond Insurers (based upon the aggregate principal amount of Outstanding Bonds insured by each such Bond Insurer) if there is more than a single Bond Insurer. The Bond Insurer with respect to the Series 2015 Bonds is Assured Guaranty Municipal Corp.

The term “Bonds” means the Series 2015 Bonds and all Additional Bonds. The term “Series 2015 Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. The term “Additional Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance therewith. The term “Serial Bonds” means Bonds for which no sinking fund payments are provided. The term “Term Bonds” means Bonds which are

payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

The term “Certificate of the Authority” means an instrument in writing signed by the Chair, Vice-Chair, Executive Director, Secretary or Treasurer of the Authority, or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

The term “Certificate of the City” means an instrument in writing signed by the Mayor, Vice-Mayor, City Manager or Finance Director/Treasurer of the City or by any such officials’ duly appointed designee, or by any other officer or employee of the City duly authorized by the City Council of the City for that purpose.

The term “Code” means the Internal Revenue Code of 1986, as amended.

The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City in the form attached to the Official Statement as APPENDIX D.

The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Facilities Lease, the Facilities Sublease, the Trust Agreement and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other authorized cost, charge or fee in connection with the issuance of the Bonds.

The term “Costs of Issuance Fund” means the fund by that name established pursuant to the Trust Agreement.

The term “Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or other period on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds so long as such funded interest is in an amount equal to the gross amount necessary to pay such interest on the Bonds and is invested in direct obligations of the United States which mature no later than the related Interest Payment Date), (2) the principal amount of all Outstanding Serial Bonds maturing during such Fiscal Year or other period, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid (together with the redemption premiums, if any, thereon) during such Fiscal Year or other period.

The term “DTC” means The Depository Trust Company, New York, New York.

The term “Event of Default” for purposes of the Facilities Sublease is defined herein under “Facilities Sublease—Defaults and Remedies.” The term “Event of Default” for purposes of the Trust Agreement is defined herein under “Trust Agreement—Events of Default; Remedies of Bondholders.”

The term “Facilities” means the real property described in Exhibit A to the Facilities Sublease, including the buildings, other improvements and facilities located thereon, or any portion thereof, or any City buildings, other improvements and facilities added thereto or substituted therefor, or any portion thereof, in accordance with the Facilities Sublease and the Trust Agreement; subject, however, to any conditions, reservations and easements of record known to the City.

The term “Facilities Lease” means that certain lease, entitled “Master Facilities Lease”, between the City and the Authority, dated as of December 1, 2015, as originally executed and recorded or as it may from

time to time be supplemented, modified or amended pursuant to the provisions of the Trust Agreement and thereof.

The term "Facilities Sublease" means that certain lease, entitled "Master Facilities Sublease", between the Authority and the City, dated as of December 1, 2015, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions of the Trust Agreement and thereof.

The term "Financial Newspaper" means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news, and selected by the Authority.

The term "Fiscal Year" means the twelve (12) month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

The term "Government Securities" means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations the timely payment of which is guaranteed directly by the United States of America, including evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations; provided that investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; (c) the underlying obligations are not redeemable prior to maturity; and (d) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

The term "Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom--

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the City; and

(3) is not connected with the Authority or the City as a member, officer or employee of the Authority or the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the City.

The term "Information Services" means the Electronic Municipal Market Access System of the Municipal Rulemaking Board; and in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or such services as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

The term "Insurance Consultant" means an individual or firm employed by the City that has experienced personnel in the field of risk management.

The term "Interest Payment Date" means May 1 and November 1 in each year, commencing May 1, 2016.

The term "Joint Powers Agreement" means the Joint Exercise of Powers Agreement by and between the City and the former Community Redevelopment Agency of the City of Moreno Valley, dated October 28, 1997, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions of the Trust Agreement and thereof.

The term "Moody's" means Moody's Investors Service, Inc. a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

The term "Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Authority.

The term "Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the defeasance provisions of the Trust Agreement; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

The term "Permitted Encumbrances" means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Facilities Sublease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facilities Sublease in the office of the County Recorder of the County of Riverside and which the City certifies in writing will not materially impair the use of the Facilities; (3) the Facilities Lease, as it may be amended from time to time; (4) the Facilities Sublease, as it may be amended from time to time; (5) the Trust Agreement, as it may be amended from time to time; (6) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Authority and the City consent in writing and certify to the Trustee will not materially impair the leasehold interests of the Authority or use of the Facilities by the City; and (8) subleases and assignments of the City which will not adversely affect the exclusion from gross income of interest on the Bonds.

The term "Permitted Investments" means any of the following, if and to the extent each is permissible for investment of funds of the Authority, as stated in its current investment policy and pursuant to applicable laws:

1. Government Securities;
2. Any obligations which are then legal investments for moneys of the City under the laws of the State of California; provided that such investments shall be rated in the highest short-term or one of the three highest long-term Rating Categories by the Rating Agencies or deposits which are fully insured by the FDIC;
3. Debentures of the Federal Housing Administration; or obligations of the following agencies which are not guaranteed by the United States of America: (i) participation certificates or debt obligations of the Federal Home Loan Mortgage Corporation; (ii) consolidated system-wide bonds and notes of the Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); (iii) consolidated debt obligations or letter of credit-backed issues of the Federal Home Loan

Banks; (iv) mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal or debt obligations of the Federal National Mortgage Association; or (v) letter of credit-backed issues or debt obligations of the Student Loan Marketing Association;

4. Money markets or mutual funds which are rated by S&P “AAAm-G” or “AAAm” or higher and, if rated by Moody’s, are rated “Aaa” or higher, which funds may include funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

5. Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated in any of the three highest Rating Categories by the Rating Agencies at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below any of the three highest Rating Categories of the Rating Agencies; provided that any such investment agreement shall have been provided to the Rating Agencies;

6. The Local Agency Investment Fund of the State of California; and

7. Any other investment selected by the Authority which does not adversely affect the then-current rating on the Bonds.

The Trustee may conclusively rely on the Written Request of the Authority or the City as evidence that such investment is a Permitted Investment.

The term “Principal Payment Date” means any date on which principal of the Bonds is required to be paid (whether by reason of maturity or redemption).

The term “Project Costs” means all costs of acquisition and construction of the Projects and of expenses incident thereto (or for making reimbursements to the Authority or the City or any other person, firm or corporation for such costs theretofore paid by him or it), including, but not limited to, architectural and engineering fees and expenses, interest during construction, furnishings and equipment, tests and inspection, surveys, land acquisition, insurance premiums, losses during construction not insured against because of deductible amounts, costs related to the Trustee during construction, costs of accounting, feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, printing costs, reproduction and binding costs.

The term “Projects” means the 2015 Project and all Additional Projects.

The term “Rating Category” means one of the general long-term (or short-term, if so specifically provided) rating categories of either Moody’s and S&P, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

The term “Reserve Facility” means a letter of credit or other credit facility issued by a financial institution or other form of credit enhancement and any replacements thereto, including, but not limited to, surety bonds and guarantees delivered to the Trustee to meet all or a portion of the Reserve Fund Requirement.

The term “Reserve Fund” means the fund by that name established in accordance with the Trust Agreement.

The term “Reserve Fund Requirement” means, with respect to each Series of Bonds, an amount equal to an amount equal to the least of (i) maximum prospective annual Base Rental Payments with respect to Outstanding Bonds to be made by the City under the Sublease, (ii) 10% of the proceeds of the Bonds or (iii) 125% of the average annual Base Rental Payments with respect to Outstanding Bonds to be made by the City under the Sublease. The Reserve Fund Requirement with respect to any Series of Bonds may be satisfied by crediting to the account established within the Reserve Fund for such Series of Bonds a Reserve Facility.

The term “Responsible Officer” means any officer of the Trustee assigned to administer its duties under the Trust Agreement.

The term “Revenues” means (i) all Base Rental Payments and other payments paid by the City and received by the Authority pursuant to the Facilities Sublease (but not Additional Payments), and (ii) all interest or other income from any investment, pursuant to the Trust Agreement, of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facilities Sublease.

The term “Securities Depositories” means: The Depository Trust Company, or such other securities depositories as the Authority may designate to the Trustee.

The term “Series,” whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

The term “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

The term “State” means the State of California.

The term “Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory thereof or supplemental thereto; but only if and to the extent that such Supplemental Trust Agreement is executed and delivered pursuant to the provisions of the Trust Agreement.

The term “2015 Bond Insurance Policy” means the insurance policy issued by AGM guaranteeing the scheduled payment of principal of and interest on the Series 2015 Bonds when due.

The term “2015 Project” means capital facilities described in Exhibit B to the Trust Agreement.

The term “2015 Reserve Policy” means the debt service reserve fund policy issued by AGM guaranteeing the scheduled payment of principal of and interest on the Series 2015 Bonds when due.

The term “Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms. There is no Tax Certificate in connection with the Series 2015 Bonds.

The term “Treasurer” means the Treasurer and Controller of the Authority designated pursuant to the Joint Powers Agreement.

The term “Trust Agreement” means the Master Trust Agreement, dated as of December 1, 2015, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

The term “Trustee” means Wells Fargo Bank, National Association, or any other association or corporation which may at any time be substituted in its place as provided in the Trust Agreement.

The term “Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by its Chair, Vice-Chair, Executive Director or Treasurer or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

The term “Written Request of the City” means an instrument in writing to the Trustee signed by the Mayor, Vice-Mayor, City Manager, or the Finance Director/Treasurer of the City, or by any such officer’s duly appointed designee, or by any other officer or employee of the City duly authorized by the City for that purpose.

## **FACILITIES LEASE**

The City and the Authority will enter into the Facilities Lease providing for the lease of the Facilities from the City to the Authority. The term of the Facilities Lease will commence on the date of recordation of the Facilities Lease in the office of the County Recorder of Riverside County, State of California, or on January 1, 2016, whichever is earlier, and shall end on November 1, 2045, unless such term is extended, following an abatement of rental or in connection with the issuance of additional Bonds, or sooner terminated, upon prepayment of all amounts due under the Trust Agreement. The term of the Facilities Lease shall in no event be extended beyond November 1, 2055 (or such later date established in connection with the issuance of additional Bonds).

The City covenants that it is the owner in fee of the Facilities, as described in the Facilities Lease. The City further covenants and agrees that if for any reason this covenant proves to be incorrect, the City will either institute eminent domain proceedings to condemn the property or institute a quiet title action to clarify the City’s title, and will diligently pursue such action to completion.

The Authority and the City may at any time agree to the amendment or termination of the Facilities Lease; provided, however, that the Authority and the City agree and recognize that the Facilities Lease is entered into in accordance with the terms of the Trust Agreement, and accordingly, that any such amendment or termination shall only be made or effected in accordance with and subject to the terms of the Trust Agreement.

## **FACILITIES SUBLICENSE**

The Authority and the City will enter into the Facilities Sublease providing for the lease of the Facilities to the City.

### Term

The term of the Facilities Sublease shall commence on the date of recordation of the Facilities Sublease in the office of the County Recorder of the County of Riverside, or on January 1, 2016, whichever is earlier, and shall end on November 1, 2045, unless such term is extended, following an abatement of rental or in connection with the issuance of Additional Bonds, or sooner terminated, upon prepayment of all amounts due under the Trust Agreement. The term of the Facilities Lease shall in no event be extended beyond November 1, 2055 (or such later date established in connection with the issuance of Additional Bonds).

### Substitution; Release; Addition of Property

The City and the Authority may add, substitute or release real property for all or part of, or may release part of, the Facilities for purposes of the Facilities Lease and the Facilities Sublease, but only after the City has filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

1. Executed copies of the Facilities Lease and the Facilities Sublease or amendments thereto containing the amended description of the Facilities, including the legal description of any real property component of the Facilities as modified, if necessary.
2. A Written Certificate of the City, certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such facility to the City) of the Facilities that will constitute the Facilities after such addition, substitution or withdrawal will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year. At the sole discretion of the City, in the alternative, in the event of a substitution only, the Written Certificate of the City will certify that the annual fair rental value of the new Facility is at least equal to that of the substituted Facility.
3. With respect to an addition or substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Facilities after such addition or substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority in such property subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such property and as will not result in an abatement of Base Rental Payments payable by the City under the Facilities Sublease.
4. A Written Certificate of the City stating that such addition, substitution or withdrawal, as applicable, does not adversely affect the City's use and occupancy of the Facilities.
5. With respect to the substitution of property, a Written Certificate of the City stating that the useful life of the property to be substituted is at least equal to the useful life of the property being released.
6. An opinion of bond counsel stating that any amendment executed in connection with such addition, substitution or withdrawal, as the case may be, (i) is authorized or permitted under the Facilities Sublease; (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (iii) will not cause the interest on any tax-exempt Bonds to be included in gross income for federal income tax purposes.

The Facilities or portion thereof for which other real property is substituted, pursuant to the Facilities Sublease, shall be released from the Facilities Lease and the Facilities Sublease, and shall no longer be encumbered thereby or by the Trust Agreement at such time as the City shall have caused said substitution. Any sale, substitution, release, transfer, lease, assignment, mortgage or encumbrance with respect to the Facilities under the Facilities Sublease or Facilities Lease shall be subject to the prior written consent of AGM.

#### Base Rental Payments

Base Rental Payments. The City will pay to the Authority, as Base Rental Payments for the use and occupancy of the Facilities (subject to the provisions of the Facilities Sublease), annual rental payments, all in accordance with the Base Rental Payment Schedule attached to the Facilities Sublease. The Base Rental Payments shall be due and payable on October 25 and April 25 in the amounts in each year set forth in the Facilities Sublease and shall be for the use and occupancy of the Facilities during the one-year period ending on the 1st day of each November.

If the term of the Facilities Sublease has been extended pursuant to the provisions thereof, Base Rental Payment installments shall continue to be due on October 25 and April 25 in each year, and payable as

described above, continuing to and including the date of termination of the Facilities Sublease, in an amount equal to the amount of Base Rental payable for the twelve-month period commencing November 2, 2044.

Base Rental Payments shall include (i) any Insurer Reimbursement Amounts due and owing to AGM as set forth in the Trust Agreement; and (ii) repayment of Policy Costs due and owing to AGM pursuant to the Trust Agreement.

All Base Rental Payments for the Facilities shall be paid by the City from lawfully available funds of the City.

Additional Payments. The City shall also pay such amounts as shall be required by the Authority for the payment of all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facilities Sublease or any assignment thereof, the Trust Agreement, the Authority's interest in the Facilities and the lease of the Facilities to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, the Facilities, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement, other amounts due and owing AGM as set forth in the Facilities Sublease as summarized in section (C) under the heading "Provisions Concerning AGM and the 2015 Bond Insurance Policy" below, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in such Additional Payments amounts required to pay the principal of or interest on the Bonds.

Such Additional Payments shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

The Authority may in the future issue bonds to finance facilities, and may in the future enter into leases with respect to other facilities. The administrative costs of the Authority shall be allocated among such other facilities and the Facilities as provided in the Facilities Sublease.

#### Payments to be Unconditional

Each Base Rental Payment installment or Additional Payment payable under the Facilities Sublease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the corporate trust office of the Trustee or such other place as the Authority shall designate. Any such Base Rental Payment installment or Additional Payment accruing under the Facilities Sublease which shall not be paid when due and payable under the terms of the Facilities Sublease shall bear interest at the rate of 12% per annum, or such lesser rate of interest as may be the maximum rate permitted by law, from the date when the same is due under the Facilities Sublease until the same shall be paid (provided that the foregoing shall not apply to payments following an abatement). Notwithstanding any dispute between the Authority and the City, the City shall make all Base Rental Payments, Additional Payments and other payments when due without deduction or offset of any kind and shall not withhold any rental or other payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent payments due under the Facilities Sublease or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to the Facilities Sublease for payment of Base Rental Payments on any date shall be reduced to the extent of amounts on deposit in the Revenue Fund and available therefor.

#### Appropriations Covenant; Lease Obligation Not a Debt

The City covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facilities Sublease in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The City will deliver to the Authority copies of the portion of each annual City budget relating to the payment of Base Rental Payments and Additional Payments under the Facilities Sublease within 30 days after the filing or adoption thereof.

The Authority and the City understand and intend that the obligation of the City to pay Base Rental Payments and Additional Payments under the Facilities Sublease shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained in the Facilities Sublease constitute a pledge of the general tax revenues, funds or moneys of the City, Base Rental Payments and Additional Payments due under the Facilities Sublease shall be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Facilities Sublease as consideration for the use of the Facilities. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Facilities Sublease.

#### Rental Abatement

The Base Rental Payments and Additional Payments shall be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation) there is substantial interference with the use and occupancy of the Facilities by the City, in the proportion in which the cost of that portion of the Facilities rendered unusable bears to the cost of the whole of the Facilities. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Sublease shall continue in full force and effect and the City waives the benefits of California Civil Code Section 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facilities Sublease by virtue of any such damage or destruction or interference.

#### Fire and Extended Coverage; Use of Insurance Proceeds

The City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Sublease, insurance against loss or damage to any structures constituting any part of the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities, excluding the cost of excavations, of grading and filling, and of the land, or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to enable all Bonds then Outstanding to be redeemed.

As an alternative to providing the insurance required by the paragraph above, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Authority, the Holders and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facilities Sublease, there shall be filed with the Trustee a certificate of an Insurance Consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the paragraph above and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee

against loss and damage from the hazards and risks covered thereby. There shall also be filed a certificate of the City setting forth the details of such substitute method or plan.

In the event of any damage to or destruction of any part of the Facilities caused by the perils covered by such insurance, the Authority, except as hereinafter provided, shall cause the proceeds of such insurance to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee shall hold said proceeds separate and apart from all other funds in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall withdraw said proceeds from time to time upon receiving the Written Request of the Authority, stating that the Authority has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred, and containing the additional information required to be included in a Written Request of the Authority prepared pursuant to the Trust Agreement. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be transferred to the Trustee and treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, if the proceeds of such insurance, together with any other moneys then available for the purpose, are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Outstanding Bonds attributable to the portion of the Facilities so destroyed or damaged, the City may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the City shall promptly apply for federal disaster aid or State disaster aid for which either may be eligible in the event that the Facilities are damaged or destroyed as a result of an earthquake or other declared disaster occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facilities, or to redeem Outstanding Bonds if such use of such disaster aid is permitted.

#### Liability Insurance

Except as hereinafter provided, the City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Sublease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Facilities, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$200,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing liability insurance, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facilities Sublease, there shall be filed with the Trustee a certificate of an Insurance Consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Sublease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and

employees and the Trustee against loss and damage from the hazards and risks covered thereby. There shall also be filed a certificate of the City setting forth the details of such substitute method or plan.

#### Rental Interruption or Use and Occupancy Insurance

The City shall procure or cause to be procured and maintain or cause to be maintained throughout the term of the Facilities Sublease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facilities as the result of any of the hazards covered by fire and extended coverage insurance, in an amount sufficient to pay the maximum annual Base Rental Payments for any two year period except that such insurance may be subject to a deductible clause as set forth in Facilities Sublease. Any proceeds of such insurance shall be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facilities Sublease attributable to such structure for a period of time during which the payment of rental under the Facilities Sublease is abated, and any proceeds of such insurance not so used shall be applied as provided in the Facilities Sublease (to the extent required for the payment of Base Rental Payments and for the payment of Additional Payments).

#### Eminent Domain

If the whole of the Facilities or so much thereof as to render the remainder unusable for the purposes for which it was used by the City shall be taken under the power or threat of eminent domain, the term of the Facilities Sublease shall cease as of the day that possession shall be so taken. If less than the whole of the Facilities shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Facilities Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Facilities or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facilities Sublease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City.

#### Defaults and Remedies

(A) If the City shall fail to pay any Base Rental Payment, Additional Payment or other amount payable under the Facilities Sublease when the same becomes due and payable, time being expressly declared to be of the essence of the Facilities Sublease, or the City shall fail to keep, observe or perform any other term, covenant or condition contained in the Facilities Sublease or in the Trust Agreement to be kept or performed by the City for a period of 30 days after notice of the same has been given to the City by the Authority or the Trustee or for such additional time as is reasonably required, in the discretion of the Trustee, to correct the same, or upon the happening of any of the events specified in paragraph (B), below (any such case above being an "Event of Default"), the City shall be deemed to be in default under the Facilities Sublease and it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Sublease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, may do any of the following:

(1) To terminate the Facilities Sublease in the manner hereinafter provided on account of default by the City, notwithstanding any re-entry or re-letting of the Facilities as hereinafter provided for in subparagraph (2) below, and to re-enter the Facilities and remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and place such personal property in storage in any warehouse or other suitable place located within the City.

(2) Without terminating the Facilities Sublease, (i) to collect each Base Rental Payment installment and other amounts as they become due and enforce any other terms or provision of the Facilities

Sublease to be kept or performed by the City, regardless of whether or not the City has abandoned the Facilities, or (ii) to exercise any and all rights of re-entry upon the Facilities.

In addition to the other remedies set forth in the Facilities Sublease, upon the occurrence of an event of default as described therein, the Authority shall proceed to protect and enforce the rights vested in the Authority by the Facilities Sublease or by law. The provisions of the Facilities Sublease and the duties of the City and of its trustees, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority may bring the following actions:

1. Accounting. By action or suit in equity to require the City and its trustees, officers and employees and its assigns to account as the trustee of an express trust.
2. Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.
3. Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and its council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the Authority as provided in the Facilities Sublease.

The exercise of any rights or remedies under the Facilities Sublease shall not permit acceleration of Base Rental Payments.

Each and all of the remedies given to the Authority under the Facilities Sublease or by any law are cumulative and the single or partial exercise of any right, power or privilege under the Facilities Sublease shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" shall include, but not be limited to, re-letting by means of the operation by the Authority of the Facilities. If any statute or rule of law validly shall limit the remedies given to the Authority under the Facilities Sublease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

Subject to the terms of the Trust Agreement, so long as the Bond Insurer shall not have defaulted under the Bond Insurance Policy, the Bond Insurer shall have the right to control all remedies for default under the Facilities Lease, the Facilities Sublease and the Trust Agreement.

#### Prepayment

(A) The City shall prepay on any date from insurance and eminent domain proceeds, to the extent provided in the Facilities Sublease (provided, however, that in the event of partial damage to or destruction of the Facilities caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, such proceeds shall be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Facilities, pursuant to the procedure set forth in the Facilities Sublease for proceeds of insurance), all or any part (in an integral multiple of \$5,000 principal component) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest on the Bonds to the date of redemption of the Bonds.

(B) The City may prepay, from any source of available funds, all or any portion of Base Rental Payments by (i) depositing with the Trustee moneys or securities as provided in the Trust Agreement sufficient to retire or redeem Bonds corresponding to such Base Rental Payments when due or redeemable, and (ii) satisfying the other requirements of the Trust Agreement. The City agrees that if following such

prepayment the Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

(C) Before making any prepayment pursuant to the Facilities Sublease, the City shall, within 5 days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 60 days from the date such notice is given.

(D) When (1) there shall have been deposited with the Trustee in trust for the benefit of the Owners of the Bonds moneys or securities as described in the Trust Agreement sufficient to pay all principal of and interest on the Bonds to the due date thereof or date when the City may exercise its option to purchase the Facilities, and sufficient to pay in full all other amounts due under the Facilities Sublease or under the Trust Agreement; (2) all of the requirements set forth in of the Trust Agreement have been satisfied; and (3) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any of the Bonds shall remain unpaid; then and in that event the right, title and interest of the Authority in the Facilities Sublease and the obligations of the City under the Facilities Sublease shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of the Base Rental Payments or option price) and the Authority's interest in and title to the Facilities or applicable portion or item thereof shall be transferred and conveyed to the City. In such event, the Authority shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the Authority (and accompanied by a verification report of a certified public accountant) and evidence such discharge and satisfaction, and the Authority shall pay over to the City as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facilities Sublease other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of Base Rental Payments or the option price and the fees and expenses of the Trustee, and shall be applied by the Authority to the payment and redemption of the Bonds and the fees and expenses of the Trustee.

#### Option to Purchase; Sale of Personal Property

The City shall have the option to purchase the Authority's interest in any part of the Facilities upon payment of an option price consisting of moneys or Government Securities (not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facilities Sublease of the part of the total rent under the Facilities Sublease attributable to such part of the Facilities (determined by reference to the proportion which the cost of such part of the Facilities bears to the cost of all of the Facilities). Any such payment shall be made to the Trustee and shall be treated as Base Rental Payments and shall be applied by the Trustee to pay the principal of and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee and the satisfaction of all requirements set forth in the Trust Agreement, (a) the Base Rental Payments thereafter payable under the Facilities Sublease shall be reduced by the amount thereof attributable to such part of the Facilities and paid in purchase of the Authority's interest therein; (b) the rental abatement provisions shall not thereafter be applicable to such part of the Facilities; (c) the insurance required by the Facilities Sublease need not be maintained as to such part of the Facilities; and (d) title to such part of the Facilities shall vest in the City and the term of the Facilities Sublease shall end as to such part of the Facilities.

The City, in its discretion may request the Authority to sell or exchange any personal property which may at any time constitute a part of the Facilities, and to release said personal property from the Facilities Sublease, if (a) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Facilities; (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released; and (c) if the value of any such property

shall, in the opinion of the Authority, exceed the amount of \$25,000, the Authority shall have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released shall be paid to the Authority. Any money so paid to the Authority may, so long as the City is not in default under any of the provisions of the Facilities Sublease, be used upon the Written Request of the City to purchase personal property, which property shall become a part of the Facilities leased under the Facilities Sublease. The Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Facilities Sublease or before releasing for the purchase of new personal property money received by it for personal property so sold.

#### Liens

In the event the City shall at any time during the term of the Facilities Sublease cause any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied, in or upon the Facilities, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Facilities and shall keep the Facilities free of any and all mechanics' or materialmen's liens or other liens against the Facilities or the Authority's interest therein. In the event any such lien attaches to or is filed against the Facilities or the Authority's interest therein, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment. The City agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Facilities or the Authority's interest therein.

#### Authority Not Liable

The Authority and its members, directors, officers, agents, employees and assignees shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Facilities.

The City, to the extent permitted by law, shall indemnify and hold the Authority and its members, directors, officers, agents, employees and assignees, harmless from, and defend each of them against, any and all claims, liens and judgments arising from (i) the construction or operation of the Facilities, including, without limitation, death of or injury to any person or damage to property whatsoever occurring in, on or about the Facilities regardless of responsibility for negligence, but excepting the active negligence of the person or entity seeking indemnity, and (ii) the issuance of the Bonds and any other action of the Authority taken pursuant to the Trust Agreement including, but not limited to, any liability of the Authority incurred pursuant to the Trust Agreement.

#### Assignment and Subleasing

Neither the Facilities Sublease or any interest of the City thereunder may be mortgaged, pledged, assigned, sublet or transferred by the City without the prior written consent of the Authority, and provided that such subletting shall not cause interest on the Bonds to be included in gross income for federal income tax purposes. No such mortgage, pledge, assignment, sublease or transfer shall in any event affect or reduce the obligation of the City to make the Base Rental Payments and Additional Payments required thereunder.

### Title to Facilities

During the term of the Facilities Sublease, the Authority shall hold leasehold title to the Facilities and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for those fixtures, repairs, replacements or modifications which are added thereto by the City and which may be removed without damaging the Facilities, and except for any items added to the Facilities by the City pursuant to the Facilities Sublease. This provision shall not operate to the benefit of any insurance company if there is a rental interruption covered by insurance pursuant to the Facilities Sublease. During the term of the Facilities Sublease, the Authority shall have a leasehold interest in the Facilities pursuant to the Facilities Lease.

Upon the termination or expiration of the Facilities Sublease (other than as an Event of Default or a governmental taking), title to the Facilities shall vest in the City pursuant to the Facilities Lease. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

### Taxes

The City shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Facilities or the respective interests or estates therein. The City shall also pay directly such amounts, if any, in each year as shall be required by the Authority for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the City to pay any of the foregoing or failure to file or furnish to the Authority or the Trustee for filing in a timely manner any returns, levied or imposed against the Authority or the Facilities, the rentals and other payments required under the Facilities Sublease, or any parts thereof or interests of the City or the Authority or the Trustee therein by any governmental authority.

### Purpose of Lease

The City covenants that during the term of the Facilities Sublease, (a) it will use, or cause the use of, the Facilities for public purposes and for the purposes for which the Facilities are customarily used, (b) it will not vacate or abandon the Facilities or any part thereof, and (c) it will not make any use of the Facilities which would jeopardize in any way the insurance coverage required to be maintained pursuant to the Facilities Sublease.

### Continuing Disclosure Certificate

The City covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Although failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default under the lease; the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Holders of at least 25% aggregate principal amount in Outstanding Bonds, shall) or any Bondholder or Beneficial Owner (as defined in the Continuing Disclosure Certificate; see APPENDIX D to the Official Statement) may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations.

### Net-Net-Net Lease

The Facilities Sublease shall be deemed and construed to be a "net-net-net lease" and the City agrees that the rentals and other payments provided for in the Facilities Sublease shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

### Provisions Concerning AGM and the 2015 Bond Insurance Policy

(A) The City covenants and agrees, to the extent it may lawfully do so, that so long as any of the Series 2015 Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Facilities. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Facilities, the appraised value of the Facilities shall not be less than the greater of (i) if such Series 2015 Bonds are then subject to redemption, the principal and interest components of the Series 2015 Bonds outstanding through the date of their redemption, or (ii) if such Series 2015 Bonds are not then subject to redemption, the amount necessary to defease such Series 2015 Bonds to the first available redemption date in accordance with the Trust Agreement.

(B) The Lessee (under the Facilities Sublease) and the Lessor (under the Facilities Lease) shall not have the right to terminate those agreements for default by the respective counterparties.

(C) The City agrees to pay, or reimburse AGM, as Additional Payments for the use and occupancy of the Facilities (subject to the provisions of the Facilities Sublease), any and all charges, fees, costs and expenses that AGM may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Trust Agreement, the Facilities Lease or the Facilities Sublease (each a "Related Document") or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to any Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of AGM to honor its obligations under the 2015 Bond Insurance Policy. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of any Related Document.

(D) The City may only contest taxes, assessments, utility and other such charges with respect to the Facilities upon notice to AGM and must pay such taxes, assessments, utility and other charges if requested to do so by AGM.

### Use of the Facilities

The City will not install, use, operate or maintain the Facilities improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facilities Sublease. The City shall provide all permits and licenses, if any, necessary for the installation and operation of the Facilities. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Facilities) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Facilities; provided, however, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of the Authority in and to the Facilities or its interest or rights under the Facilities Sublease.

### Amendment or Termination

The Authority and the City may at any time agree to the amendment or termination of the Facilities Sublease; provided, however, that the Authority and the City agree and recognize that the Facilities Sublease is entered into in accordance with the terms of the Trust Agreement, and accordingly, that any such amendment or termination shall only be made or effected in accordance with and subject to the terms of the Trust Agreement.

## TRUST AGREEMENT

Certain provisions of the Trust Agreement setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in this Official Statement. See "THE SERIES 2015 BONDS," and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS" herein.

### The Trustee

Wells Fargo Bank, National Association, has been appointed by the Authority as Trustee. The Trustee will receive all of the Bond proceeds and the Revenues for disbursement in conformity with the Trust Agreement. In addition, the Trustee will act as registrar of the Bonds. Payments of principal of, interest or redemption premiums, if any, on the Bonds will be made through the principal corporate trust office of the Trustee.

### Assignment

The Authority assigns to the Trustee all of the Authority's right, title and interest in the Facilities Sublease and the Facilities Lease as security for payment of the Bonds.

### Pledge of Revenues

All Revenues, any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues and other amounts pledged under the Trust Agreement shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge shall constitute a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) for the payment of the interest on and principal of the Bonds in accordance with the terms thereof and of the Trust Agreement.

### Establishment of Funds and Accounts; Flow of Funds

The Trust Agreement provides for the establishment of the following special accounts or funds, among others: the Revenue Fund (within which the Interest Account and the Principal Account will be established and maintained), the Costs of Issuance Fund, the Acquisition and Construction Fund and the Rebate Fund. The Trustee will hold all funds in the Costs of Issuance Fund, the Revenue Fund and the Rebate Fund; the City will hold all funds in the Acquisition and Construction Fund; and all other funds will be held by the Treasurer of the Authority. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity). All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it becomes due and payable, whether at maturity or redemption. All money in the Costs of Issuance Fund will be used to pay the Costs of Issuance of the Bonds upon receipt by the Treasurer of a Written Request of the Authority. All moneys in the Acquisition and Construction Fund shall be applied by the City to the payment of Project Costs and of expenses incident thereto (or for making reimbursements to the Authority or the City or any other person, firm or corporation for such costs theretofore or thereafter paid by him or it), or shall be transferred to the Trustee for the payment of debt service on the Bonds. Moneys in the Rebate Fund will be used to make rebate payments to the United States of America, if required.

On each Principal Payment Date, following payment of principal of and interest on the Bonds, any excess amount on deposit in the Revenue Fund shall be returned to the City as an excess of Base Rental Payments.

#### Revenue Fund

Moneys in the Revenue Fund will be transferred to and deposited in the following respective accounts in the following order of priority:

(1) Interest Account. On or before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

(2) Principal Account. On or before each November 1, commencing November 1, 2016, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Serial Bonds maturing on such November 1.

No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such November 1.

#### Investments

Subject to the Trust Agreement, all money held by the Trustee and the Treasurer in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the City or, if no instructions are received, in money market funds described in paragraph 4 of the definition of Permitted Investments; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the City specifying a specific money market fund and, if no such Written Request of the City is so received, the Trustee shall hold such moneys uninvested. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. For purposes of this restriction, Permitted Investments containing a withdrawal option, repurchase option or put option by the investor shall be treated as having a maturity of no longer than such option. Subject to the Trust Agreement, all interest or profits received on any money so invested shall be deposited in the Revenue Fund. The Trustee and its affiliates may act as principal, agent, sponsor or advisor with respect to any investments. The Trustee shall not be liable for any losses on investments made in accordance with the terms and provisions of the Trust Agreement.

Investments purchased with funds on deposit in the Revenue Fund shall mature not later than the payment date or redemption date, as appropriate, immediately succeeding the investment.

Investments in any and all funds and accounts may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Trust Agreement for transfer to or holding in particular funds and accounts amounts received or held by the Trustee under the Trust Agreement, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Trust Agreement.

### Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

1. The Authority shall be in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default shall have occurred and be continuing.
2. The Supplemental Trust Agreement shall require that the proceeds of the sale of such Additional Bonds shall be applied to finance or refinance Projects, or for the refunding or repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds shall be applied to the payment of the interest due or to become due on said Additional Bonds.
3. The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.
4. The Facilities Sublease shall have been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year shall at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year, and if Base Rental Payments are being increased, a Certificate of the City shall be delivered to the Trustee certifying that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of any facility which is or will become part of the Facilities) will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year.
5. If additional facilities, if any, are to be leased and are not situated on property described in the Facilities Lease and Facilities Sublease, (1) the Facilities Lease shall have been amended so as to lease to the Authority such additional real property; and (2) the Facilities Sublease shall have been amended so as to lease to the City such additional real property.
6. The Reserve Fund is fully funded at the Reserve Fund Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Bond Insurer.

### Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Trust Agreement;

(b) Obligations which are junior and subordinate to the payment of the principal, premium and interest on the Bonds and which subordinated obligations are payable as to principal, premium and interest only out of Revenues after the prior payment of all amounts then required to be paid under the Trust Agreement from Revenues for principal, premium and interest on the Bonds, as the same become due and payable and at the times and in the manner as required in the Trust Agreement.

### Covenant Against Encumbrances

The Authority will not make any pledge or assignment of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided in the Trust Agreement.

### Tax Covenants

The Authority has covenanted to comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds, and to not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, or to take or omit to take any action, that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code. In the event that at any time the Authority is of the opinion that it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

No Tax Certificate will be delivered in connection with the Series 2015 Bonds, and the tax covenants described under this heading are not applicable to the Series 2015 Bonds.

### Application of Insurance Proceeds

In the event of any damage to or destruction of any part of the Facilities covered by insurance, the Authority shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee shall hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall invest said proceeds in Permitted Investments pursuant to the Request of the City, as agent for the Authority under the Facilities Sublease, and withdrawals of said proceeds shall be made from time to time upon the filing with the Trustee of a Written Request of the City, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The City shall file a Certificate of the City with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the City, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Facilities. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be paid to the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, the City, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Facilities, or that portion, in the case of partial damage or destruction of the Facilities, of the Base Rental Payments and all other amounts relating to the damaged or destroyed portion of the Facilities, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Trust Agreement. The City shall not apply the proceeds of insurance as set forth in this paragraph to redeem the Bonds in part due to damage or destruction of a portion of the Facilities unless the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the initially scheduled principal and interest on the Bonds remaining unpaid after such redemption.

### Events of Default and Action on Default

The following events shall be "Events of Default":

- (a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;
- (b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- (c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of 30 days after the Authority shall have been given notice in writing of such default by the Trustee;
- (d) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property; or
- (e) if an Event of Default has occurred under the Facilities Sublease.

In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (subject to the provisions of the Trust Agreement) shall be entitled, upon notice in writing to the City and the Authority to exercise any of the remedies granted to the City under the Facilities Lease, to the Authority under the Facilities Sublease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in (a), (b) or (c) in the paragraph below. Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined in the Trust Agreement, so long as the Bond Insurer is not in default under its Bond Insurance Policy, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the Trust Agreement.

Other Remedies of the Trustee. The Trustee shall have the right: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City, the Authority or any director, officer or employee thereof, and to compel the City or the Authority or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or (c) by suit in equity upon the happening of any default under the Trust Agreement to require the City and the Authority to account as the trustee of an express trust.

### Application of Funds After Default

Notwithstanding anything to the contrary contained in the Trust Agreement, after a default by the City, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Facilities after a default by the City pursuant to the Facility Sublease, and all damages or other

payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Facility Sublease, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:

First, to the payment of the reasonable fees, costs and expenses of the Trustee in providing for the declaration of such event of default and carrying out its duties under the Trust Agreement, including reasonable compensation to their accountants and counsel together with interest on any amounts advanced as provided in the Trust Agreement and thereafter to the payment of the reasonable costs and expenses of the Bondholders, if any, in carrying out the provisions of this section, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

#### Amendment of Documents

Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Bondholders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity or Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Trust Agreement. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bondholder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, without the consent of all Bondholders, or (4) modify any rights or obligations of the Trustee, the Authority, or the City without their prior written assent thereto, respectively. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Trust Agreement pursuant to the Trust Agreement, the Trustee shall mail a notice on behalf of the Authority, setting forth in general terms the substance of such Supplemental Trust Agreement to the Bondholders at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Bondholders for any purpose that will not materially adversely affect the interests of the Bondholders, including (without limitation) for any one or more of the following purposes: (i) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the Authority; (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary; (iii) to provide for the issuance of any Additional Bonds and to provide the terms

of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Bondholders); or (iv) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Facilities Sublease or Facilities Lease. The Authority shall not supplement, amend, modify or terminate any of the terms of the Facilities Sublease or Facilities Lease, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if such supplement, amendment, modification or termination (a) will not materially adversely affect the interests of the Bondholders or result in any material impairment of the security given by the Trust Agreement for the payment of the Bonds (provided that such supplement, amendment or modification shall not be deemed to have such adverse effect or to cause such material impairment solely by reason of increasing the amount of Base Rental Payments to provide for the payment of Additional Bonds as required by the Trust Agreement or substitution, release or addition of real property pursuant to the Facilities Sublease), (b) is to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority or the City, (c) is to cure, correct or supplement any ambiguous or defective provision contained therein, (d) is to accommodate any increase in the amount of Base Rental Payments to provide for the payment of Base Rental Payments as required by the Trust Agreement; or any addition, substitution or release of property in accordance with the Facilities Sublease, (e) is to modify the legal description of the Facilities to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcels intended or preferred to be included therein, or substituted for the Facilities pursuant to the provisions of the Facilities Sublease, or (f) if the Trustee first obtains the written consent of the Bondholders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination.

#### Discharge of Trust Agreement

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Bondholders of all Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and the Authority shall pay in full all other amounts due under the Trust Agreement and under the Facilities Sublease, then the Bondholders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Bondholders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds and for the payment of all other amounts due under the Trust Agreement and under the Facilities Sublease. Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest of the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the paragraph above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee (A) money in an amount which shall be sufficient and/or (B) Government Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion

of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Bondholders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of AGM, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of AGM, securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Bonds unless AGM otherwise approves.

To accomplish defeasance, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to AGM (“Accountant”) verifying the sufficiency of the escrow established to pay the Series 2015 Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to AGM), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2015 Bonds are no longer “Outstanding” under the Trust Agreement and (iv) a certificate of discharge of the Trustee with respect to the Series 2015 Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, Trustee and Insurer. AGM shall be provided with final drafts of the above referenced documentation not less than five business days prior to the funding of the escrow.

Series 2015 Bonds shall be deemed “Outstanding” under the Trust Agreement unless and until they are in fact paid and retired or the above criteria are met.

#### Unclaimed Moneys

Any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall at the Written Request of the Authority be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee may, and at the request of the Authority shall, at the expense of the Authority in either case, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in Los Angeles and in San Francisco, California, and in the same or a similar Financial Newspaper of general circulation in New York, New York, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

General Provisions Relating to Bond Insurance. So long as any Series 2015 Bonds remain outstanding and AGM shall not have defaulted under the 2015 Bond Insurance Policy (or any amounts are owed to AGM), the provisions summarized below shall govern, notwithstanding anything to the contrary set forth in the Trust Agreement, or individually in the appropriate sections:

(a) AGM shall be deemed to be the sole holder of the Series 2015 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2015 Bonds are entitled to take pursuant to the Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Trust Agreement and each Series 2015 Bond, the Trustee and each Bondholder appoint AGM as their agent and attorney-in-fact and agree that AGM may at any time during the continuation of any proceeding by or against the Authority or City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Bondholder delegate and assign to AGM, to the fullest extent permitted by law, the rights of the Trustee and each Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Bondholders shall expressly include mandamus.

(b) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of AGM. No grace period shall be permitted for payment defaults.

(c) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Bonds to be redeemed shall be subject to the approval of AGM. The exercise of any provision of the Trust Agreement which permits the purchase of Bonds in lieu of redemption shall require the prior written approval of AGM if any Bond so purchased is not cancelled upon purchase.

(d) Any amendment, supplement, modification to, or waiver of, the Trust Agreement or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondholders or adversely affects the rights and interests of AGM shall be subject to the prior written consent of AGM.

(e) Unless AGM otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Acquisition and Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

(f) The rights granted to AGM under the Trust Agreement or any other Related Document to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the 2015 Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of AGM.

(g) Amounts paid by AGM under the 2015 Bond Insurance Policy shall not be deemed paid for purposes of the Trust Agreement and the Series 2015 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Trust Agreement. The Trust Agreement shall not be discharged unless all amounts due or to become due to AGM have been paid in full or duly provided for.

(h) Each of the Authority and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(i) AGM shall, to the extent it makes any payment of principal of or interest on the Series 2015 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2015 Bond Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Authority to AGM under the Related Documents shall survive discharge or termination of such Related Documents.

(j) The Authority shall pay or reimburse (or cause the City to pay or reimburse) AGM any and all charges, fees, costs and expenses that AGM may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Trust Agreement or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Trust Agreement or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Trust Agreement or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of AGM to honor its obligations under the 2015 Bond Insurance Policy. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Trust Agreement or any other Related Document.

(k) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Reserve Fund to the Reserve Fund Requirement.

(l) AGM shall be entitled to pay principal or interest on the Series 2015 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the 2015 Bond Insurance Policy), whether or not AGM has received a Notice of Nonpayment (as such terms are defined in the 2015 Bond Insurance Policy) or a claim upon the 2015 Bond Insurance Policy.

(m) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Trust Agreement would adversely affect the security for the Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no 2015 Bond Insurance Policy.

(n) No contract shall be entered into or any action taken by which the rights of AGM or security for or sources of payment of the Series 2015 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of AGM.

#### Claims Upon the 2015 Bond Insurance Policy and Payments by and to AGM

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date (each, a "Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal of and interest on the Series 2015 Bonds due on such Payment Date, the Trustee shall give notice to AGM and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2015 Bonds due on such Payment Date, the Trustee shall make a claim under the 2015 Bond Insurance Policy and give notice to AGM and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2015 Bonds and the amount required to pay principal of the Series 2015 Bonds, confirmed in writing to

AGM and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the 2015 Bond Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal on Series 2015 Bonds paid by AGM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2015 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to AGM, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Series 2015 Bond or the subrogation rights of AGM.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by AGM into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2015 Bond. AGM shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the 2015 Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to in the Trust Agreement as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the 2015 Bond Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2015 Bonds under the sections of the Trust Agreement regarding payment of Series 2015 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Trust Agreement to the contrary, the Authority agrees, and shall cause the City to agree, to pay to AGM (i) a sum equal to the total of all amounts paid by AGM under the 2015 Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by AGM until payment thereof in full, payable to AGM at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2015 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority and the City covenant and agree that Insurer Reimbursement Amounts are secured by a lien on and pledge of the Base Rental Payments and other amounts, and payable from such Base Rental Payments and other amounts, on a parity with debt service due on the Bonds.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Interest Payment Date shall promptly be remitted to AGM.

**Provisions Relating to 2015 Reserve Policy.** So long as any Series 2015 Bonds remain outstanding and AGM shall not have defaulted under the 2015 Reserve Policy (or any amounts are owed to AGM), the following provisions govern, notwithstanding anything to the contrary set forth in the Trust Agreement or individually in the appropriate sections:

(a) The Authority shall repay any draws under the 2015 Reserve Policy and pay all related reasonable expenses incurred by AGM and shall pay interest thereon from the date of payment by AGM at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) the greater of (I) the per annum rate of

interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2015 Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as AGM shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Trust Agreement, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Trust Agreement, be applied as additional interest for any later periods of time when amounts are outstanding under the Trust Agreement to the extent that interest otherwise due under the Trust Agreement for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by AGM, with the same force and effect as if the Authority had specifically designated such extra sums to be so applied and AGM had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Trust Agreement exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, “Policy Costs”) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to AGM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to AGM on account of principal due, the coverage under the 2015 Reserve Policy will be increased by a like amount, subject to the terms of the 2015 Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Series 2015 Bonds (subject only to the priority of payment provisions set forth under the Trust Agreement).

All cash and investments in the Reserve Fund not allocable to a particular Series or Bonds shall be transferred to the Revenue Fund for payment of debt service on Series 2015 Bonds before any drawing may be made on the 2015 Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash (“Credit Facility”). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the 2015 Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) If the Authority shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) summarized above, AGM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

(c) The Trust Agreement shall not be discharged until all Policy Costs owing to AGM shall have been paid in full. The Authority’s obligation to pay such amounts shall expressly survive payment in full of the Series 2015 Bonds.

(d) The Authority and the City shall include any Policy Costs then due and owing AGM in the calculation of any applicable additional bonds test as set forth in the Trust Agreement.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2014**



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF MORENO VALLEY  
Fiscal Year Ended June 30, 2014





**City of Moreno Valley**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2014**

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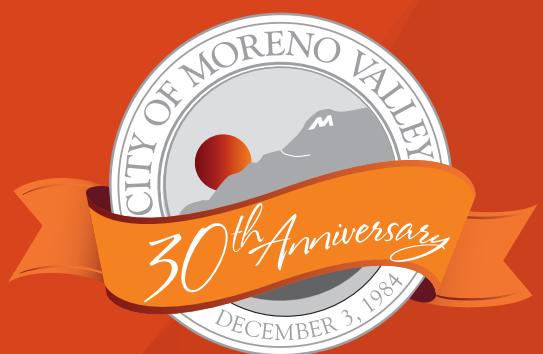
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**Comprehensive Annual Financial Report**  
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## Introductory Section

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year  
Ended June 30, 2014

TEL: 951.413.3021  
FAX: 951.413.3096  
WWW.MOVAL.ORG



14177 FREDERICK STREET  
P.O. BOX 88005  
MORENO VALLEY, CA 92552-0805

November 24, 2014

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

On behalf of the City Manager, Management Team and City Staff, it is my pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Moreno Valley (the City) for the fiscal year ended June 30, 2014.

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

The City's financial statements have been audited by Lance, Soll & Lunghard, LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

#### Profile of the City of Moreno Valley

The City of Moreno Valley was incorporated on December 3, 1984. It is centrally located in Southern California, 66 miles east of Los Angeles and 100 miles north of San Diego. The City encompasses approximately 50 square miles of land area in western Riverside County and with a population estimate of 199,258, continues to be the second largest city in Riverside County. Though it has slowed because of the economy, the City's population continues to grow.

The City operates under the council-manager form of government with a five-member council elected by district for four-year overlapping terms. Each year the council elects the mayor for a one-year term. The

City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

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

The annual budget serves as the foundation for the City's financial planning and control approved as a two-year budget. The City Manager presents the proposed two-year budget to the City Council for review in April/May of the first budget year. The Council holds a series of public meetings on the proposed budget, and generally adopts a final budget no later than June 30<sup>th</sup>. The second budget year is amended as needed to update revenue and expenditures. The City's fiscal year is July 1<sup>st</sup> through June 30<sup>th</sup>. The appropriated budget is prepared by fund, department and program, and is controlled at the department level. The City Manager can approve transfers between programs, departments or funds, provided that such transfers do not increase the overall budget. Appropriations that increase the budget require City Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The budget-to-actual comparisons for the general fund and the major governmental funds can be found in the Basic Financial Statements section of this report. The budget-to-actual comparisons for the non-major governmental funds can be found in the Non-Major governmental funds section of this report.

### **Factors Affecting Financial Condition**

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

**Local economy.** The City of Moreno Valley is ideally located at the junction of State Route 60 and Interstate 215 in the Inland Empire, which consists of Riverside and San Bernardino Counties. The City continues to be a leader in business development with an array of undeveloped land, development opportunities, entitled development projects, and available lease space at economically feasible prices.

During the last couple of years the City has experienced increased development activity in new retail, commercial and industrial construction and development. Several Fortune 500 companies, including Amazon and Proctor & Gamble, have chosen Moreno Valley and positively impacted industrial growth with construction and occupancy of distribution centers. New construction in the residential sector continues at a slow pace as the local economy continues to recover from the most recent recession.

**Long-term financial planning.** In June 2013, the City Council approved an Operating Budget that, for the first time since 2008, is balanced without the use of General Fund reserves. The previously adopted framework established in 2011 by the Deficit Elimination Plan to reduce the General Fund expenses to match the expected revenue stream was a critical framework that provided support to this balanced budget

objective. The City also prepared a Long Range Business Plan approved in July 2012 that includes projected revenues and expenditures through June 2020. This provides the City Council with expected results of operations based on their budget and other policy decisions within the scope of projected revenues and expenditures. The City annually prepares and updates the five-year capital improvement plan (CIP) which includes all capital projects and identifies the timing of each project as well as the funding source. The first year of the CIP represents the capital expenditure budget for the City.

#### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Moreno Valley for its comprehensive annual financial report (CAFR) for the year ended June 30, 2013. This was the sixteenth consecutive year that the City has received this prestigious award. The City received the award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. I believe that our CAFR continues to meet the Certificate of Achievement Program's requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial & Management Services Department and especially the Financial and Treasury Operations Divisions. I would like to express my appreciation to all members of the divisions who assisted and contributed to its preparation. Credit also must be given to other City departments for their assistance and the City Council for their continuous support for maintaining the highest standards of professionalism in the management of the City of Moreno Valley's finances.

Lastly, I would like to thank the City's independent auditors, Lance, Soll & Lunghard, LLP, for their assistance in preparing this important financial document.

Respectfully submitted,



Richard Teichert  
Chief Financial Officer/City Treasurer

## **CITY OF MORENO VALLEY**

### **MUNICIPAL OFFICIALS**

June 30, 2014

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### **CITY COUNCIL**

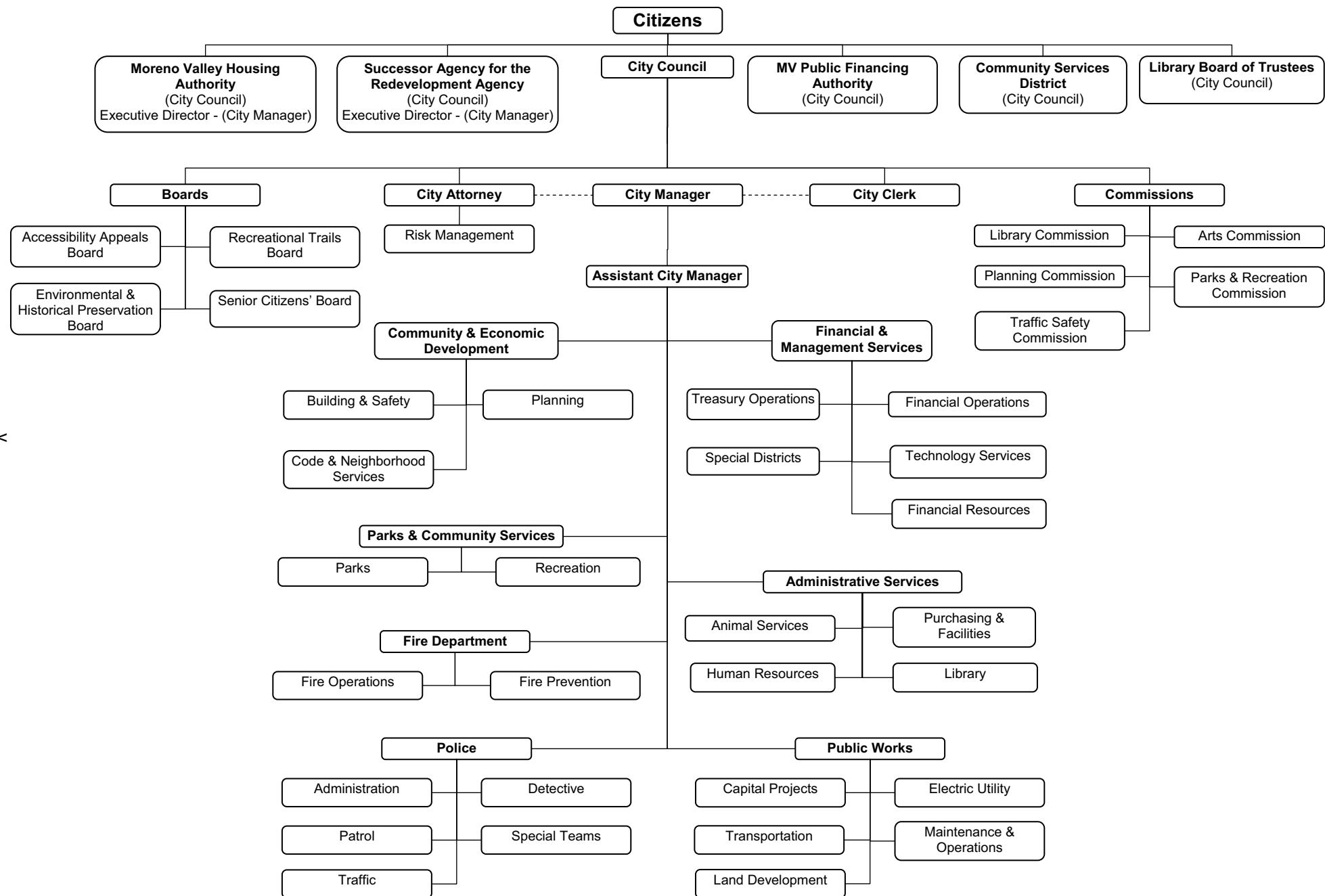
Jesse L. Molina, Mayor  
Victoria Baca, Mayor Pro Tem  
Richard A. Stewart, Councilmember  
George Price, Councilmember

---

### **EXECUTIVE OFFICERS**

Michelle Dawson, City Manager  
Tom DeSantis, Assistant City Manager  
Suzanne Bryant, City Attorney  
Jane Halstead, City Clerk  
Richard Teichert, Chief Financial Officer/City Treasurer  
Ahmad Ansari, P.E., Public Works Director/City Engineer  
John Terell, Community & Economic Development Director  
Chris Paxton, Administrative Services Director  
Abdul Ahmad, Fire Chief  
Betsy Adams, Parks & Community Services Director  
Joel Ontiveros, Police Chief

# City of Moreno Valley Organization Chart





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Moreno Valley  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, appearing to read "Jeffrey P. Evans".

Executive Director/CEO

## Financial Section

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year  
Ended June 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS

**vpb** A Division of LSL, CPAs  
vilmure, peeler & boucher

- David E. Hale, CPA, CFP
- Deborah A. Harper, CPA
- Donald G. Slater, CPA
- Gary A. Cates, CPA
- Richard K. Kikuchi, CPA
- Michael D. Mangold, CPA
- Susan F. Matz, CPA
- David S. Myers, CPA
- Bryan S. Gruber, CPA

## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moreno Valley, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Moreno Valley, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, CSD Zones Special Revenue Fund, Development Impact Fees Special Revenue Fund, Housing Authority Special Revenue Fund and Neighborhood Stabilization Grant Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lungard, LLP". The signature is written in a cursive style with some formal capitalization for the firm name.

Brea, California  
November 24, 2014



## Management's Discussion and Analysis

As management of the City of Moreno Valley (the City), we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found in the Introductory Section of this Comprehensive Annual Financial Report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the City of Moreno Valley exceeded its liabilities at June 30, 2014, by \$1.06 billion (*net position*). Of this amount, \$70.8 million (*unrestricted*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$35.6 million from the previous fiscal year. Current year operations resulted in an increase of \$6.2 million, \$26.4 million was due to the extraordinary gain from the dissolution of the former Redevelopment Agency, and a restatement of \$3.0 million to the beginning balance all contributed to this increase.
- For business-type activities, revenues exceeded expenses by \$0.4 million. Adding other miscellaneous charges and transfer of \$1.5 million to the revenue, the current fiscal year showed a \$1.9 million surplus in the business-type activities.
- The total debt of the City showed a net increase of \$17.4 million (18.9%) during the current fiscal year. The increase in debt was primarily as a result of \$20.0 million of new debt secured for current and future street improvement projects.
- The General Fund had an end of year fund balance of \$40.6 million. This was an increase of \$6.2 million and an increase of 18.0% over FY 2012-13.

### Overview of Financial Statements

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

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

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



The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this

statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

Information regarding governmental funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Community Services District Zones, the Development Impact Fees, the Housing Authority Special Revenue Funds, and the Neighborhood Stabilization Grant Fund. All of these are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the supplementary section of the report in the form of *combining statements*.

The City adopts an annual appropriated budget for all of its funds. Budgetary comparison statement have been provided to demonstrate compliance with the budget.

**Proprietary funds.** The City maintains two different types of proprietary funds--enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its Electric Utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, technology services, facilities maintenance, equipment maintenance, and equipment replacement. Because these services

predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Electric Utility, the City's only enterprise fund, is included in the Basic Financial Statements. All internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary section of the report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as *trustee*. The *Statement of Fiduciary Fund Assets and Liabilities*, included in the Basic Financial Statements, separately reports all of the City's fiduciary activities. The City's fiduciary activities are reported in separate statements of fiduciary net position, statements of changes in fiduciary net position (Successor Agency of the former RDA only), and combining statement of changes in assets and liabilities (Agency Fund only). Detailed information of the fiduciary funds is in the Agency Funds section of the report. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

## Government-wide Financial Analysis

The following table presents a condensed version of the City's statement of net position for its governmental and business-type activities for fiscal year ended June 30, 2014. Comparative data from fiscal year ended June 30, 2013, is also presented.

**City of Moreno Valley's Net Position  
(\$000's)**

|                                | Governmental Activities |              | Business-type Activities |           | Totals       |              |
|--------------------------------|-------------------------|--------------|--------------------------|-----------|--------------|--------------|
|                                | 2013                    | 2014         | 2013                     | 2014      | 2013         | 2014         |
| Current and other assets       | \$ 226,948              | \$ 250,640   | \$ 10,998                | \$ 10,196 | \$ 237,946   | \$ 260,836   |
| Capital Assets                 | 866,938                 | 894,985      | 35,418                   | 35,960    | 902,356      | 930,945      |
| Total Assets                   | 1,093,886               | 1,145,625    | 46,416                   | 46,156    | 1,140,302    | 1,191,781    |
|                                |                         |              |                          |           |              |              |
| Current liabilities            | 28,662                  | 29,482       | 6,702                    | 5,101     | 28,294       | 34,583       |
| Long-term liabilities          | 57,229                  | 74,445       | 27,869                   | 27,322    | 92,168       | 101,767      |
| Total Liabilities              | 85,891                  | 103,927      | 34,571                   | 32,423    | 120,462      | 136,350      |
|                                |                         |              |                          |           |              |              |
| Net invested in capital assets | 812,637                 | 841,260      | 9,053                    | 9,569     | 821,690      | 850,829      |
| Restricted                     | 103,999                 | 129,886      | 3,445                    | 3,904     | 107,444      | 133,790      |
| Unrestricted                   | 91,359                  | 70,552       | (653)                    | 260       | 90,706       | 70,812       |
| Total Net Position             | \$ 1,007,995            | \$ 1,041,698 | \$ 11,845                | \$ 13,733 | \$ 1,019,840 | \$ 1,055,431 |

As noted earlier, 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 3.5% from \$1.02 billion at June 30, 2013, to \$1.06 billion at June 30, 2014. By far the largest portion of the City's net position (78.9%) 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 following table presents a summary of the changes in net position of the City's governmental and business-type activities, as of June 30, 2014. Comparative data from fiscal year ended June 30, 2013, is also presented.

**Changes in Net Position  
(\$000's)**

|                                       | Governmental Activities |                     | Business-type Activities |                  | Totals              |                     |
|---------------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
|                                       | 2013                    | 2014                | 2013                     | 2014             | 2013                | 2014                |
| <b>Revenues</b>                       |                         |                     |                          |                  |                     |                     |
| Program Revenues:                     |                         |                     |                          |                  |                     |                     |
| Charges for services                  | \$ 31,731               | \$ 24,879           | \$ 19,098                | \$ 20,214        | \$ 50,829           | \$ 45,093           |
| Operating contributions and grants    | 36,117                  | 25,576              | -                        | -                | 36,117              | 25,576              |
| Capital contributions and grants      | 38,205                  | 16,292              | -                        | -                | 38,205              | 16,292              |
| General Revenues:                     |                         |                     |                          |                  |                     |                     |
| Property tax                          | 13,089                  | 14,282              | -                        | -                | 13,089              | 14,282              |
| Property tax in lieu                  | 13,414                  | 13,872              | -                        | -                | 13,414              | 13,872              |
| Transient occupancy tax               | 832                     | 991                 | -                        | -                | 832                 | 991                 |
| Sales tax                             | 14,044                  | 15,887              | -                        | -                | 14,044              | 15,887              |
| Franchise tax                         | 5,147                   | 5,361               | -                        | -                | 5,147               | 5,361               |
| Business license tax                  | 1,306                   | 1,582               | -                        | -                | 1,306               | 1,582               |
| Utility user's tax                    | 15,684                  | 15,595              | -                        | -                | 15,684              | 15,595              |
| Franchise in lieu tax                 | 190                     | 195                 | -                        | -                | 190                 | 195                 |
| Documentary transfer tax              | 350                     | 447                 | -                        | -                | 350                 | 447                 |
| Other taxes                           | 1,325                   | 6,467               | -                        | -                | 1,325               | 6,467               |
| Use of money and property             | 2,236                   | 4,719               | 9                        | 35               | 2,245               | 4,754               |
| Other                                 | 1,728                   | 696                 | 373                      | 531              | 2,101               | 1,227               |
| Extraordinary gain/(loss) on          |                         |                     |                          |                  |                     |                     |
| Dissolution of Redevelopment Agency   | 31,493                  | 26,364              | -                        | -                | 31,493              | 26,364              |
| Transfers                             | -                       | (904)               | -                        | 904              | -                   | -                   |
| <b>Total Revenues</b>                 | <b>206,891</b>          | <b>172,301</b>      | <b>19,480</b>            | <b>21,684</b>    | <b>226,371</b>      | <b>193,985</b>      |
| <b>Expenses:</b>                      |                         |                     |                          |                  |                     |                     |
| General government                    | 11,758                  | 12,081              | -                        | -                | 11,758              | 12,081              |
| Public safety                         | 56,896                  | 53,579              | -                        | -                | 56,896              | 53,579              |
| Community development                 | 11,886                  | 7,755               | -                        | -                | 11,886              | 7,755               |
| Community and cultural                | 18,400                  | 20,616              | -                        | -                | 18,400              | 20,616              |
| Public works                          | 39,468                  | 43,540              | -                        | -                | 39,468              | 43,540              |
| Interest on long-term debt            | 2,552                   | 4,032               | -                        | -                | 2,552               | 4,032               |
| Electric                              | -                       | -                   | 18,139                   | 19,796           | 18,139              | 19,796              |
| <b>Total Expenses</b>                 | <b>140,960</b>          | <b>141,603</b>      | <b>18,139</b>            | <b>19,796</b>    | <b>159,099</b>      | <b>161,399</b>      |
| Change in Net Position                | 65,931                  | 30,698              | 1,341                    | 1,888            | 67,272              | 32,586              |
| Restatement of Net Position           | -                       | 3,003               | -                        | -                | -                   | 3,003               |
| <b>Net Position Beginning of Year</b> | <b>942,065</b>          | <b>1,007,996</b>    | <b>10,504</b>            | <b>11,845</b>    | <b>952,569</b>      | <b>1,019,841</b>    |
| <b>Net Position End of Year</b>       | <b>\$ 1,007,996</b>     | <b>\$ 1,041,697</b> | <b>\$ 11,845</b>         | <b>\$ 13,733</b> | <b>\$ 1,019,841</b> | <b>\$ 1,055,430</b> |

Charges for services decreased \$5.7 million, 11.3%, under FY 2012-13. This decrease was primarily due to a reclassification of a revenue item that was included as charges for services in FY 2012-13 that is classified as a special tax in FY 2013-14 in the amount of \$4.9 million.

Operating and capital contributions and grants decreased \$32.5 million, 43.7% under FY 2012-13. This category fluctuates dramatically each year depending upon the number and value of dedications of developer constructed and City investment in infrastructure projects, such as streets, curbs, gutters, and street lights.

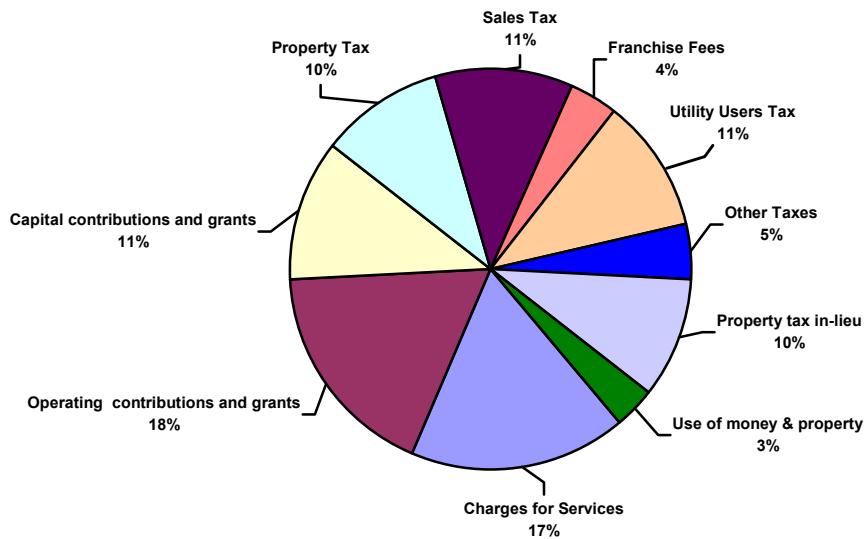
Property tax revenue increased \$1.2 million, 9.1% over FY 2012-13. The Property Tax collections in FY 2013-14 primarily increased as a result of property values experiencing a slight increase in valuation.

Sales tax revenue increased \$1.8 million, 13.1% over FY 2012-13. The sales tax revenue is directly tied to consumer spending and this increase is primarily due to the increase in taxable sales experienced this year that has been positively impacted by the development of sales tax generators such as Robertson's Ready Mix, an Amazon Fulfillment Center, a new Volkswagen auto dealership, and an O'Reilly Auto Parts Distribution Center.

## **Governmental Activities**

The government's net position, with the restatement of \$3.0 million, increased by \$33.7 million with total revenues of \$172.3 million and total expenses of \$141.6 million. Program revenues were \$66.7 million and general revenues were \$105.6 million. The largest single category of revenue was an extraordinary gain due to the dissolution of the former redevelopment agency at \$26.4 million. The second largest single revenue category was operating contributions and grants, at \$25.6 million. This is program revenue and goes directly against expenses in recovering the costs of providing those services. The third largest single revenue category was charges for services at \$24.9 million. Capital contributions and grants at \$16.3 million was the fourth largest single revenue source, and sales tax was the fifth largest revenue source at \$15.9 million. The below graph presents the revenues by source for governmental activities for the fiscal year ended June 30, 2014, not including the extraordinary gain.

**Revenues by Source – Governmental Activities**



The single largest expense category was public safety at \$53.6 million, accounting for 37.8% of total expenses. Public works was the second largest expense category at \$43.5 million and 30.7% of total expenses. Community and cultural was the third largest expense category at \$20.6 million. General government was the fourth largest expense category at \$12.1 million, followed by community development at \$7.8 million, the fifth largest expense category, and interest on long-term debt at \$4.0 million, the sixth largest expense category.

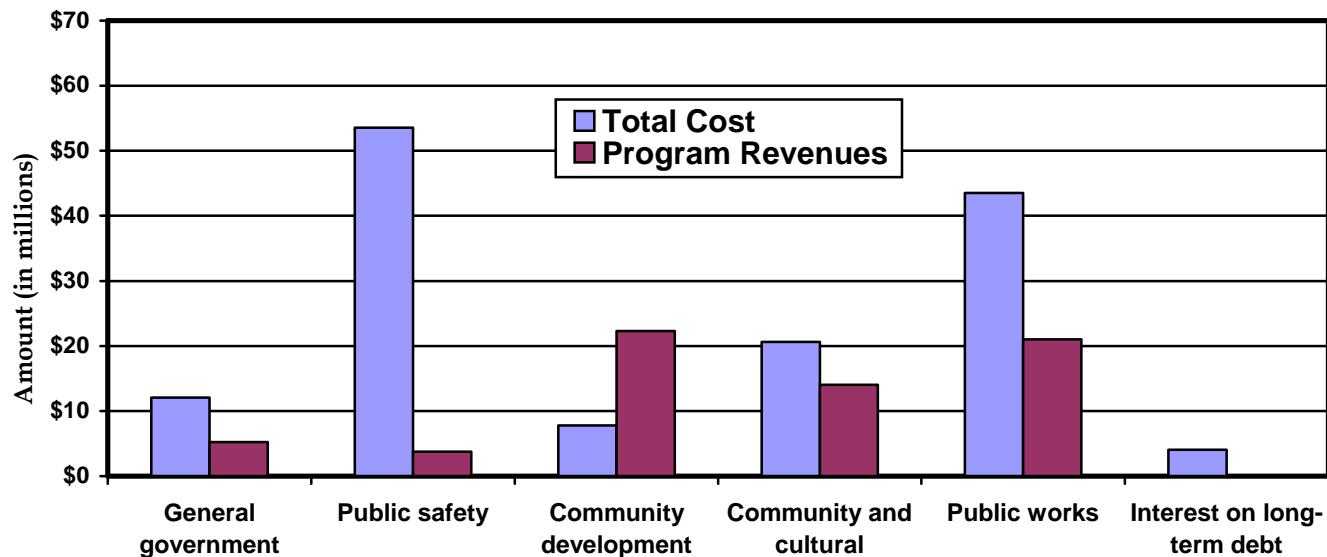
The table below presents the cost of each of the six major program categories, and identifies each program's *net cost* (total cost less revenues generated by the activities). The net cost is the amount paid for by general revenue sources that are generated by all City taxpayers.

**Governmental Activities - Net Cost of Services**  
**For the year ended June 30, 2014**

|                            | Total Cost of Services | Net Cost of Services   |
|----------------------------|------------------------|------------------------|
| General government         | \$ 12,081,325          | \$ (6,884,221)         |
| Public safety              | 53,578,915             | (49,813,574)           |
| Community development      | 7,755,380              | 14,567,133             |
| Community and cultural     | 20,615,807             | (6,582,285)            |
| Public works               | 43,540,207             | (22,111,924)           |
| Interest on long-term debt | 4,031,673              | (4,031,673)            |
| <b>TOTAL</b>               | <b>\$ 141,603,307</b>  | <b>\$ (74,856,544)</b> |

As illustrated in the above table, program revenues recovered \$66.7 million of the cost of providing these services. The City paid for the remaining public benefit portion of these governmental activities with \$74.7 million in taxes (some of which were restricted for certain programs) and with other revenues. This governmental activity cost/revenue relationship is further illustrated in the following graph.

**Governmental Activities - Net Cost of Services**  
**For the year ended June 30, 2014**



## **Business-Type Activities**

The City's business-type activities include the activities of the Electric Utility. The net position of the City's business-type activities increased \$1.9 million primarily due to the increase in electric consumption. The Electric Utility had total revenues of \$21.7 million, and total expenses of \$19.8 million.

## **THE CITY'S FUNDS**

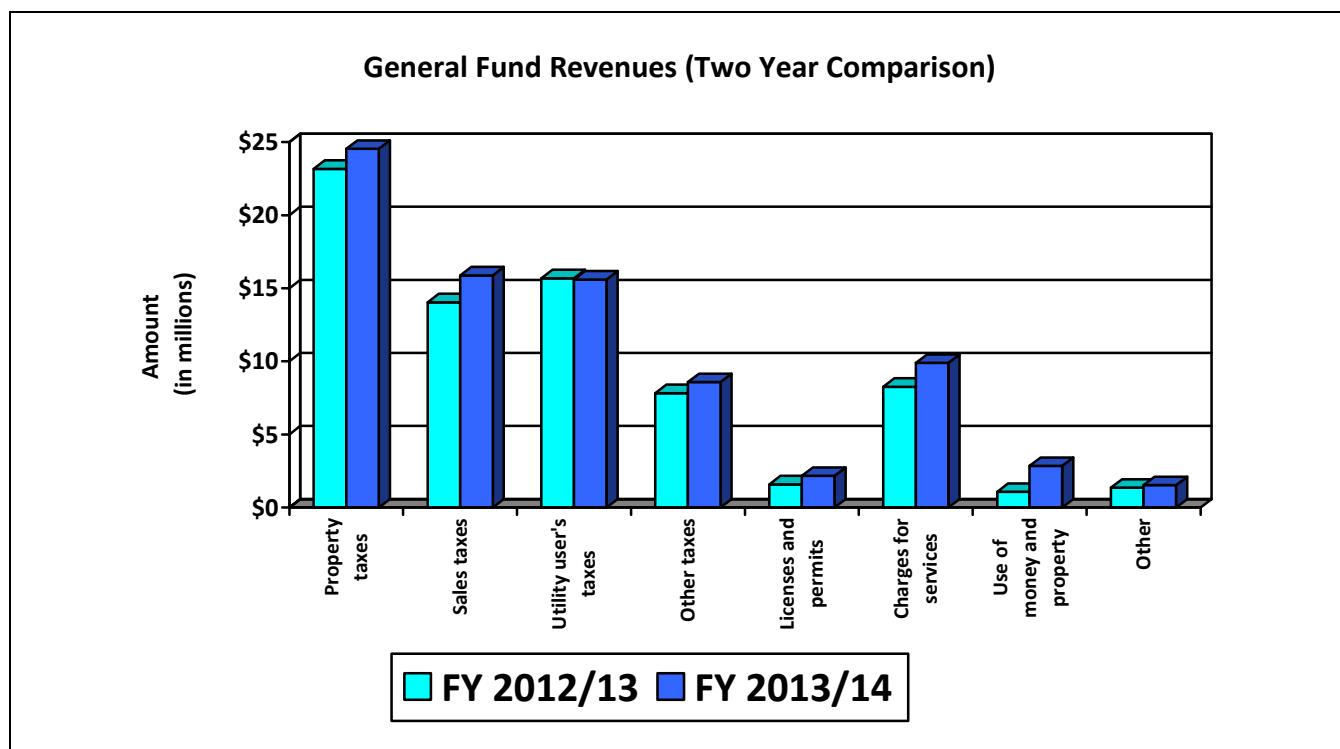
Total fund balances presented in the governmental funds balance sheet are \$170.0 million, with the General Fund representing \$40.6 million, or 23.9% of the total. The City's General Fund fund balance has unassigned fund balance of \$27.5 million.

### **General Fund Financial Results**

The General Fund fund balance increased by \$6.2 million over FY 2012-13 with actual results realizing an increase of \$3.1 million in revenues along with expenditure savings of \$3.1 million. The final budget anticipated a balanced budget with minimal impact to fund balance as FY 2013-14 was the third and final year of the Three-Year Deficit Elimination Plan adopted by Council in response to the economic downturn.

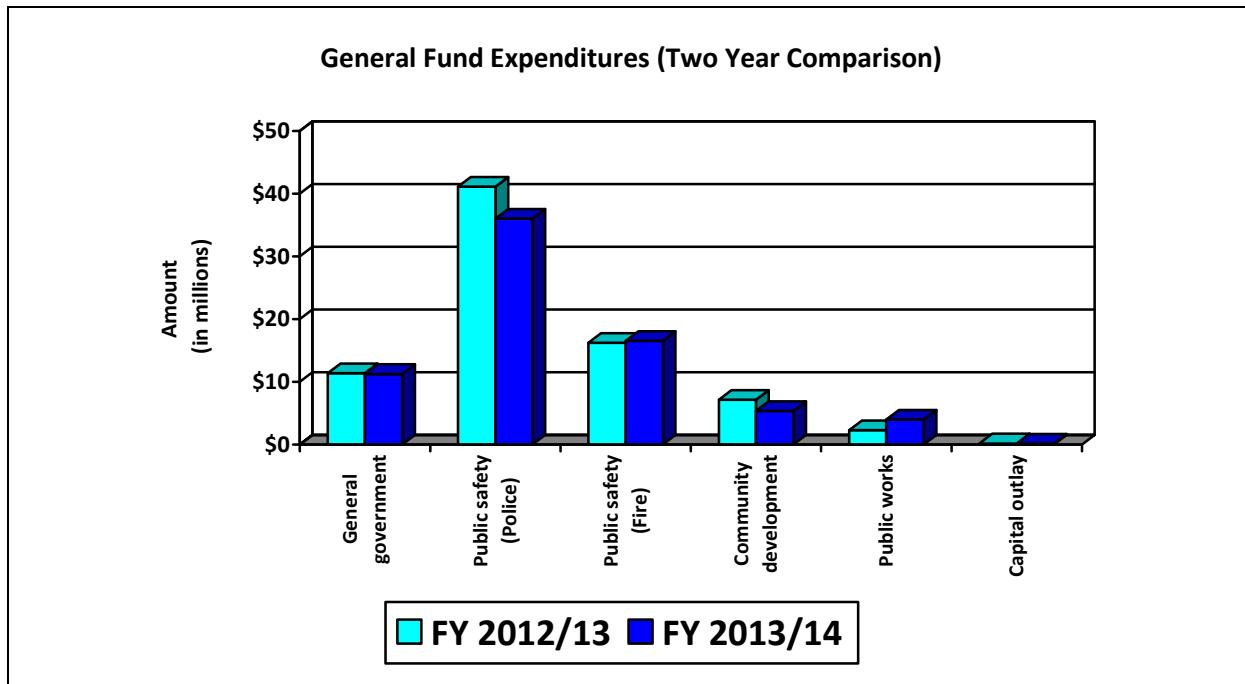
General Fund tax revenues were \$1.5 million more than anticipated and an increase in charges for services of \$0.7 million along with a \$0.8 million increase in licenses, permits and miscellaneous activity all contributed to the unanticipated revenue increase.

The graph below presents a comparison of each General Fund revenue source for the fiscal years ended June 30, 2013 and 2014.



General Fund actual expenditures were \$3.1 million less than the final budget. The major contributor to this result was in large part due to Police and Fire Services coming in under budget by \$2.4 million primarily as a result of contract service rates coming in below budgeted rates.

The graph below presents a comparison of each General Fund expenditure category for the fiscal years ended June 30, 2013 and 2014.



### Other Major Fund Financial Results

The fund balance of the Community Service District Zones Special Revenue Fund increased by \$1.0 million over FY 2012-13. This fund accounts for the administration, operations and maintenance of the City's various service zones established by the Moreno Valley Community Services District. The increase in fund balance is primarily the result of \$1.8 million in transfers from the General Fund to support Residential Street Lights Administration (\$896,000), Library Services (\$617,835), and projects in Parks and Community Services (\$307,500).



The fund balance of the Development Impact Fees Special Revenue Fund decreased by \$0.4 million under FY 2012-13. This fund accounts for the developer impact fees, which are one-time charges, used to offset the additional public-service costs of new development. The decrease in fund balance is primarily due to the remodel of Fire Station #48 that received development impact fee funding during the fiscal year.

The fund balance of the Housing Authority Fund increased \$8.0 million over FY 2012-13. This fund accounts for the housing assets as a result of the recently dissolved redevelopment agency of the City. In FY 2013-14 the Successor Agency of the former redevelopment agency transferred to the Housing Authority several property notes, Hemlock Apartments and Rancho Dorado South that were approved for transfer by the Successor Agency Oversight Board and the Department of Finance.

The fund balance of the Neighborhood Stabilization Grant Fund decreased \$0.1 million under FY 2012-13. This fund accounts for the grant allocation received by the City from Housing and Urban Development to address the foreclosure crisis and implement a neighborhood stabilization program. The decrease in fund balance is primarily the result of program expenses that were incurred for qualifying programs in the fiscal year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2014, the City's governmental activities had \$1.28 billion (\$895.0 million net of depreciation) invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment, vehicles, park facilities, roads, highways and bridges. The net increase of \$28.0 million from FY 2012-13 is primarily attributed to the increase in infrastructure.

At June 30, 2014, the City's business-type activities had \$42.2 million (\$36.0 million net of depreciation) invested in capital assets, primarily utility infrastructure. The net increase of \$0.5 million from FY 2012-13 is primarily attributed to the increase in infrastructure.

### City of Moreno Valley Capital Assets

|                            | Governmental Activities |                       | Business-type Activities |                      | Total Primary Government |                       | Total % Change |
|----------------------------|-------------------------|-----------------------|--------------------------|----------------------|--------------------------|-----------------------|----------------|
|                            | 2013                    | 2014                  | 2013                     | 2014                 | 2013                     | 2014                  |                |
| Land                       | \$ 300,286,754          | \$ 310,197,236        | \$ 1,237,459             | \$ 1,237,459         | \$ 301,524,213           | \$ 311,434,695        | 3%             |
| Buildings and Improvements | 115,194,031             | 130,081,944           | -                        | -                    | 115,194,031              | 130,081,944           | 13%            |
| Machinery and Equipment    | 16,129,238              | 17,576,368            | -                        | -                    | 16,129,238               | 17,576,368            | 9%             |
| Vehicles                   | 10,510,284              | 9,277,549             | -                        | -                    | 10,510,284               | 9,277,549             | -12%           |
| Construction in Progress   | 38,339,817              | 25,740,972            | 161,713                  | 1,099,586            | 38,501,530               | 26,840,558            | -30%           |
| Infrastructure             | 734,572,111             | 782,157,370           | 39,381,574               | 39,838,486           | 773,953,685              | 821,995,856           | 6%             |
|                            | 1,215,032,235           | 1,275,031,439         | 40,780,746               | 42,175,531           | 1,255,812,981            | 1,317,206,970         | 5%             |
| Accumulated Depreciation   | (348,093,894)           | (380,046,084)         | (5,362,442)              | (6,215,426)          | (353,456,336)            | (386,261,510)         | 9%             |
| Total Capital Assets       | <u>\$ 866,938,341</u>   | <u>\$ 894,985,355</u> | <u>\$ 35,418,304</u>     | <u>\$ 35,960,105</u> | <u>\$ 902,356,645</u>    | <u>\$ 930,945,460</u> | 3%             |

Some of the major capital projects from the Capital Improvement Plan that were completed during the current fiscal year were:

- Civic Center Site Improvements
- SR60 / Nason Overcrossing Bridge
- City Hall Rehab of 2<sup>nd</sup> Floor
- Cactus Ave 3<sup>rd</sup> Eastbound Lane
- Citywide Camera Surveillance
- Gilman Springs Road Improvements



Some major capital projects under construction at the end of the fiscal year which are expected to be completed by the end of the next fiscal year are:

- Alessandro Blvd Median/Indian St
- Nason St/Cactus Ave to Fir Ave
- SR60 / Moreno Bch Drive Interchange (ph 1)
- Moval 33KV S Industrial

Other major projects that are in the Design, Environmental and Right of Way Acquisition Phases are:

- Sunnymead Blvd/SR60 E/B On-Ramp
- San Timoteo Foothill Storm Drain
- Box Springs Communication Site
- Heacock Street Channel

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

### **Long-Term Debt**

At year-end, the City's governmental activities had \$77.3 million in bonds, notes, certificates of participation, leases, and compensated absences, versus \$60.6 million last year, an increase of \$16.7 million, or 27.6%. This increase is primarily due to the issuance of \$20 million of new debt secured for current and future street improvement projects.

At June 30, 2014, the City's business-type activities had \$28.1 million in bonds and compensated absences versus \$28.5 million last year, a decrease of \$0.4 million. The decrease was the result of normal maturity on existing debt. The City was able to meet its current debt obligations in a timely manner. The City has an active Debt Management Committee and an approved Debt Management Policy. The table on the next page provides the total long-term debt by category.

**Outstanding Debt at Year End  
For the Year Ended June 30, 2014**

|                               | Governmental<br>Activities | Business-type<br>Activities |
|-------------------------------|----------------------------|-----------------------------|
| Special tax bonds             | \$ 9,660,000               | \$ -                        |
| Notes and Other               | 4,816,500                  | -                           |
| Certificates of participation | 20,000,000                 | -                           |
| Lease revenue bonds           | 36,394,230                 | 28,000,770                  |
| Compensated absences          | 6,478,751                  | 125,667                     |
| <b>TOTAL</b>                  | <b>\$ 77,349,481</b>       | <b>\$ 28,126,437</b>        |

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

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

Although the focus of this Annual Report is on the economic condition of the City in the fiscal year that ended June 30, 2014, it is important for the City's financial management to report on current issues affecting the City and their economic impact on FY 2013-14 and future years.

Clearly the economic downturn has impacted Moreno Valley, as well as the Inland Region as a whole. Both Riverside and San Bernardino counties are experiencing a delayed and slow economic recovery period. With a population of 199,258, Moreno Valley is still experiencing population growth, albeit at a slower rate because of the economic downturn impacting California. Moreno Valley remains the second largest city in Riverside County and is presently the fourth largest city in the Inland Region. Though population growth has slowed because of the economy, population growth continues in Moreno Valley because of its strategic location at the junction of Interstate I-215 and State Route 60, along with offering a wide array of quality housing options, a family oriented lifestyle and a variety of quality of life amenities.

For several years Moreno Valley has experienced substantial non-residential growth including significant new commercial retail and industrial development. The economy has slowed commercial development in Southern California, but Moreno Valley continues to secure new business development opportunities. In FY 2013-14 several new retail and industrial developments opened adding to the sales tax base which will provide a foundation for sales tax revenue to continue to grow moderately in the near future.

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. The impact of the action plan has had a positive influence on the unemployment rate in our City as we have begun to experience a decrease in the unemployment rate since last year with projections to further decrease this rate over the next few fiscal years. Creating employment opportunities and job growth is important to the continued development of the community and to the development of the City's tax revenue base in the future.

In a recent credit status review by Standard & Poors the City's credit rating was upgraded to A positive with a stable outlook. A key factor in achieving the strong rating result was the action of City Council and the City Manager to balance the City's General Fund budget. Our council and management team strategized, planned and

delivered on a three-year deficit elimination plan that has brought revenues in line with expenditures. As revenues continue to steadily grow we look forward to strategizing and planning our continued economic recovery.

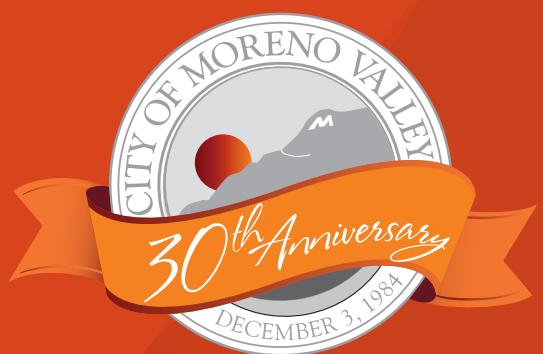
## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. For component units that publish separate financial statements, those statements can be obtained from the City Clerk. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer/City Treasurer, City of Moreno Valley, 14177 Frederick Street, P.O. Box 88005, Moreno Valley, California 92552-0805.



Basic Financial Statements

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year  
Ended June 30, 2014

**City of Moreno Valley**

**Statement of Net Position**  
**June 30, 2014**

|  | <b>Primary Government</b>      |                                 |                                |
|--|--------------------------------|---------------------------------|--------------------------------|
|  | <b>Governmental Activities</b> | <b>Business-Type Activities</b> | <b>Total</b>                   |
|  | \$                             | \$                              | \$                             |
| <b>Assets:</b>                                     |                                |                                 |                                |
| Pooled cash and investments (note 3)               | \$ 146,707,926                 | \$ 6,145,248                    | \$ 152,853,174                 |
| Receivables:                                       |                                |                                 |                                |
| Accounts   | 4,735,122                      | 2,940,180                       | 7,675,302                      |
| Notes and loans (note 4)                           | 44,421,616                     | -                               | 44,421,616                     |
| Notes to Successor Agency (note 4)                 | 16,998,503                     | -                               | 16,998,503                     |
| Interest   | 2,147,995                      | -                               | 2,147,995                      |
| Internal balances                                  | 580,657                        | (580,657)                       | -                              |
| Prepaid costs                                      | 193,460                        | -                               | 193,460                        |
| Due from other governments                         | 6,902,629                      | -                               | 6,902,629                      |
| Inventories  | 39,739                         | 243,400                         | 283,139                        |
| Land held for resale                               | 3,916,126                      | -                               | 3,916,126                      |
| Restricted assets:                                 |                                |                                 |                                |
| Cash with fiscal agent (note 3)                    | 23,995,648                     | 1,447,798                       | 25,443,446                     |
| Capital assets not being depreciated (note 5)      | 335,938,208                    | 2,337,045                       | 338,275,253                    |
| Capital assets, net of depreciation (note 5)       | <u>559,047,147</u>             | <u>33,623,060</u>               | <u>592,670,207</u>             |
| <b>Total Assets</b>                                | <b><u>1,145,624,776</u></b>    | <b><u>46,156,074</u></b>        | <b><u>1,191,780,850</u></b>    |
| <b>Liabilities:</b>                                |                                |                                 |                                |
| Accounts payable                                   | 19,947,163                     | 3,081,297                       | 23,028,460                     |
| Accrued liabilities                                | 960,789                        | -                               | 960,789                        |
| Accrued interest                                   | 511,589                        | 255,296                         | 766,885                        |
| Unearned revenue                                   | 884,698                        | 33,959                          | 918,657                        |
| Deposits payable                                   | 16,861                         | 993,332                         | 1,010,193                      |
| Due to other governments                           | 9,321                          | 94,500                          | 103,821                        |
| Noncurrent liabilities:                            |                                |                                 |                                |
| Long-term debt, due within one year (note 6)       | 7,151,481                      | 642,170                         | 7,793,651                      |
| Long-term debt, due in more than one year (note 6) | <u>74,445,550</u>              | <u>27,322,104</u>               | <u>101,767,654</u>             |
| <b>Total Liabilities</b>                           | <b><u>103,927,452</u></b>      | <b><u>32,422,658</u></b>        | <b><u>136,350,110</u></b>      |
| <b>Net Position:</b>                               |                                |                                 |                                |
| Net investment in capital assets                   | 841,259,763                    | 9,569,296                       | 850,829,059                    |
| Restricted for:                                    |                                |                                 |                                |
| Community development projects                     | 47,104,275                     | -                               | 47,104,275                     |
| Public safety                                      | 328,236                        | -                               | 328,236                        |
| Community and cultural                             | 13,201,156                     | -                               | 13,201,156                     |
| Public works                                       | 23,648,320                     | -                               | 23,648,320                     |
| Capital projects                                   | 32,739,899                     | -                               | 32,739,899                     |
| Debt service                                       | 11,996,640                     | -                               | 11,996,640                     |
| Permanent funds - nonexpendable                    | 328,823                        | -                               | 328,823                        |
| Water quality                                      | 538,101                        | -                               | 538,101                        |
| Public purpose programs                            | -                              | 3,903,663                       | 3,903,663                      |
| Unrestricted                                       | <u>70,552,111</u>              | <u>260,457</u>                  | <u>70,812,568</u>              |
| <b>Total Net Position</b>                          | <b><u>\$ 1,041,697,324</u></b> | <b><u>\$ 13,733,416</u></b>     | <b><u>\$ 1,055,430,740</u></b> |

**City of Moreno Valley**

**Statement of Activities**  
**Year Ended June 30, 2014**

|   | <b>Expenses</b>       | <b>Program Revenues</b>     |   |   |  |
|---|-----------------------|-----------------------------|---|---|--|
|   |                       | <b>Charges for Services</b> | <b>Operating Contributions and Grants</b> | <b>Capital Contributions and Grants</b> |  |
| <b>Functions/Programs</b>   |                       |                             |   |   |  |
| <b>Primary Government:</b>  |                       |                             |   |   |  |
| Governmental Activities:  |                       |                             |   |   |  |
| General government  | \$ 12,081,325         | \$ 5,057,964                | \$ 121,564                                | \$ 17,576                               |  |
| Public safety   | 53,578,915            | 3,077,843                   | 687,498                                   | -                                       |  |
| Community development   | 7,755,380             | 7,620,631                   | 4,972,354                                 | 9,729,528                               |  |
| Community and cultural  | 20,615,807            | 6,518,337                   | 7,515,185                                 | -                                       |  |
| Public works  | 43,540,207            | 2,604,218                   | 12,279,173                                | 6,544,892                               |  |
| Interest on long-term debt  | 4,031,673             | -                           | -   | -                                       |  |
| <b>Total Governmental Activities</b>  | <b>141,603,307</b>    | <b>24,878,993</b>           | <b>25,575,774</b>                         | <b>16,291,996</b>                       |  |
| Business-Type Activities:   |                       |                             |   |   |  |
| Electric  | 19,796,146            | 20,213,736                  | -   | -                                       |  |
| <b>Total Business-Type Activities</b>   | <b>19,796,146</b>     | <b>20,213,736</b>           | <b>-</b>                                  | <b>-</b>                                |  |
| <b>Total Primary Government</b>   | <b>\$ 161,399,453</b> | <b>\$ 45,092,729</b>        | <b>\$ 25,575,774</b>                      | <b>\$ 16,291,996</b>                    |  |
| <b>General Revenues:</b>  |                       |                             |   |   |  |
| Taxes:  |                       |                             |   |   |  |
| Property taxes  |                       |                             |   |   |  |
| Property taxes in lieu  |                       |                             |   |   |  |
| Transient occupancy taxes   |                       |                             |   |   |  |
| Sales taxes   |                       |                             |   |   |  |
| Franchise taxes   |                       |                             |   |   |  |
| Business licenses taxes   |                       |                             |   |   |  |
| Utility users tax   |                       |                             |   |   |  |
| Other taxes   |                       |                             |   |   |  |
| Franchise in lieu taxes   |                       |                             |   |   |  |
| Documentary transfer tax  |                       |                             |   |   |  |
| Use of money and property   |                       |                             |   |   |  |
| Miscellaneous   |                       |                             |   |   |  |
| <b>Extraordinary gain/(loss) on dissolution<br/>of redevelopment agency (note 13)</b> |                       |                             |   |   |  |
| Transfers   |                       |                             |   |   |  |
| <b>Total General Revenues and Extraordinary Items</b>                                 |                       |                             |   |   |  |
| Change in Net Position  |                       |                             |   |   |  |
| Net Position at Beginning of Year   |                       |                             |   |   |  |
| Restatement of Net Position (note 14)   |                       |                             |   |   |  |
| <b>Net Position at End of Year</b>  |                       |                             |   |   |  |

| <b>Net (Expenses) Revenues and Changes in Net Position</b> |                                 |                         |  |
|--|---------------------------------|-------------------------|--|
| <b>Primary Government</b>                                  |                                 |                         |  |
| <b>Governmental Activities</b>                             | <b>Business-Type Activities</b> | <b>Total</b>            |  |
| \$ (6,884,221)   | \$ -                            | \$ (6,884,221)          |  |
| (49,813,574)   | -                               | (49,813,574)            |  |
| 14,567,133   | -                               | 14,567,133              |  |
| (6,582,285)  | -                               | (6,582,285)             |  |
| (22,111,924)   | -                               | (22,111,924)            |  |
| (4,031,673)  | -                               | (4,031,673)             |  |
| <b>(74,856,544)</b>  | <b>-</b>                        | <b>(74,856,544)</b>     |  |
| <br>- 417,590  | <br>417,590                     | <br>417,590             |  |
| <br>- 417,590  | <br>417,590                     | <br>417,590             |  |
| <b>(74,856,544)</b>  | <b>417,590</b>                  | <b>(74,438,954)</b>     |  |
| <br><br>14,281,943   | <br>-                           | <br>14,281,943          |  |
| 13,871,754   | -                               | 13,871,754              |  |
| 991,431  | -                               | 991,431                 |  |
| 15,887,129   | -                               | 15,887,129              |  |
| 5,361,531  | -                               | 5,361,531               |  |
| 1,581,918  | -                               | 1,581,918               |  |
| 15,595,141   | -                               | 15,595,141              |  |
| 6,467,203  | -                               | 6,467,203               |  |
| 194,943  | -                               | 194,943                 |  |
| 447,103  | -                               | 447,103                 |  |
| 4,718,739  | 35,249                          | 4,753,988               |  |
| 696,377  | 531,523                         | 1,227,900               |  |
| <br>26,364,076   | <br>-                           | <br>26,364,076          |  |
| <b>(904,032)</b>   | <b>904,032</b>                  | <b>-</b>                |  |
| <b>105,555,256</b>   | <b>1,470,804</b>                | <b>107,026,060</b>      |  |
| 30,698,712   | 1,888,394                       | 32,587,106              |  |
| 1,007,995,816  | 11,845,022                      | 1,019,840,838           |  |
| <br>3,002,796  | <br>-                           | <br>3,002,796           |  |
| <b>\$ 1,041,697,324</b>                                    | <b>\$ 13,733,416</b>            | <b>\$ 1,055,430,740</b> |  |



## **MAJOR GOVERNMENTAL FUNDS**

### **General Fund**

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

### **Community Services District (CSD) Zones Special Revenue Fund**

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

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

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

### **Housing Authority Fund**

This fund is used to account for the housing assets as a result of the dissolution of the former Community Redevelopment Agency of the City.

### **Neighborhood Stabilization Program Fund**

This fund is used to account for the grant allocation received by the City from HUD to address the foreclosure crisis and implement a neighborhood stabilization program (NSP) aimed at assisting low- to moderate- income households, while targeting the areas of the City most affected by the foreclosures.

### **Nonmajor Governmental Funds**

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

**City of Moreno Valley**

**Balance Sheet**

**Governmental Funds**

**June 30, 2014**

|  | <b>Special Revenue Funds</b> |                      |                                |                          |
|--|------------------------------|----------------------|--------------------------------|--------------------------|
|  | <b>General</b>               | <b>CSD Zones</b>     | <b>Development Impact Fees</b> | <b>Housing Authority</b> |
| <b>Assets:</b>   |                              |                      |                                |                          |
| Pooled cash and investments (note 3)                                       | \$ 40,659,739                | \$ 13,807,767        | \$ 16,260,358                  | \$ 136,546               |
| Receivables:   |                              |                      |                                |                          |
| Accounts   | 2,427,060                    | 128,916              | -                              | -                        |
| Notes and loans (note 4)   | -                            | -                    | -                              | 34,444,031               |
| Notes to Successor Agency (note 4)   | 16,998,503                   | -                    | -                              | -                        |
| Interest   | 560,730                      | -                    | -                              | 1,190,264                |
| Due from other governments   | 3,021,893                    | 229,033              | -                              | -                        |
| Due from other funds (note 7)  | 2,807,492                    | -                    | -                              | -                        |
| Advances to other funds (note 7)   | 3,772,000                    | -                    | -                              | -                        |
| Land held for resale   | -                            | -                    | -                              | 3,916,126                |
| Restricted assets:   |                              |                      |                                |                          |
| Cash with fiscal agents (note 3)   | -                            | -                    | -                              | -                        |
| <b>Total Assets</b>  | <b>\$ 70,247,417</b>         | <b>\$ 14,165,716</b> | <b>\$ 16,260,358</b>           | <b>\$ 39,686,967</b>     |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>      |                              |                      |                                |                          |
| <b>Liabilities:</b>  |                              |                      |                                |                          |
| Accounts payable   | \$ 16,485,502                | \$ 773,027           | \$ -                           | \$ 144                   |
| Accrued liabilities  | 933,348                      | -                    | -                              | -                        |
| Unearned revenues  | 628,786                      | 169,021              | -                              | -                        |
| Deposits payable   | -                            | 16,861               | -                              | -                        |
| Due to other governments   | 6,119                        | 17                   | -                              | -                        |
| Due to other funds (note 7)  | -                            | 5,634                | -                              | -                        |
| Advances from other funds  | -                            | -                    | 4,132,000                      | -                        |
| <b>Total Liabilities</b>   | <b>18,053,755</b>            | <b>964,560</b>       | <b>4,132,000</b>               | <b>144</b>               |
| <b>Deferred Inflows of Resources:</b>                                      |                              |                      |                                |                          |
| Unavailable revenues   | 11,638,087                   | -                    | -                              | 1,190,264                |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>11,638,087</b>            | <b>-</b>             | <b>-</b>                       | <b>1,190,264</b>         |
| <b>Fund Balances:</b>  |                              |                      |                                |                          |
| <b>Nonspendable:</b>   |                              |                      |                                |                          |
| Notes and loans  | -                            | -                    | -                              | -                        |
| Notes to Successor Agency  | 5,360,415                    | -                    | -                              | -                        |
| Advances to other funds  | 3,772,000                    | -                    | -                              | -                        |
| Permanent fund principal   | -                            | -                    | -                              | -                        |
| <b>Restricted for:</b>   |                              |                      |                                |                          |
| Community development projects   | -                            | -                    | -                              | 38,496,559               |
| Public safety  | -                            | -                    | -                              | -                        |
| Community and cultural   | -                            | 13,201,156           | -                              | -                        |
| Public works   | -                            | -                    | 12,128,358                     | -                        |
| Capital projects   | -                            | -                    | -                              | -                        |
| Debt service   | -                            | -                    | -                              | -                        |
| Endowments   | -                            | -                    | -                              | -                        |
| Water quality  | -                            | -                    | -                              | -                        |
| <b>Committed to:</b>   |                              |                      |                                |                          |
| Revolving line of credit   | 2,600,000                    | -                    | -                              | -                        |
| Maintenance of pedestrian bridge   | 129,722                      | -                    | -                              | -                        |
| <b>Assigned to:</b>  |                              |                      |                                |                          |
| Continuing appropriations  | 534,245                      | -                    | -                              | -                        |
| GASB 31  | 622,748                      | -                    | -                              | -                        |
| <b>Unassigned</b>  | <b>27,536,445</b>            | <b>-</b>             | <b>-</b>                       | <b>-</b>                 |
| <b>Total Fund Balances</b>   | <b>40,555,575</b>            | <b>13,201,156</b>    | <b>12,128,358</b>              | <b>38,496,559</b>        |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ 70,247,417</b>         | <b>\$ 14,165,716</b> | <b>\$ 16,260,358</b>           | <b>\$ 39,686,967</b>     |

| <b>Special<br/>Revenue Funds</b>                |   |  |  |   |  |
|---|---|--|--|---|--|
| <b>Neighborhood<br/>Stabilization<br/>Grant</b> |   | <b>Nonmajor<br/>Governmental<br/>Funds</b> |  | <b>Total<br/>Governmental<br/>Funds</b> |  |
| \$  | - | \$ 34,503,178                              |  | \$ 105,367,588                          |  |
|   |   | 2,178,984                                  |  | 4,734,960                               |  |
| 4,358,257                                       |   | 5,619,328                                  |  | 44,421,616                              |  |
|   |   | -  |  | 16,998,503                              |  |
|   |   | 397,001                                    |  | 2,147,995                               |  |
| 665,472   |   | 2,986,231                                  |  | 6,902,629                               |  |
|   |   | -  |  | 2,807,492                               |  |
|   |   | 940,657                                    |  | 4,712,657                               |  |
|   |   | -  |  | 3,916,126                               |  |
|   |   | 23,995,648                                 |  | 23,995,648                              |  |
| <b>\$ 5,023,729</b>                             |   | <b>\$ 70,621,027</b>                       |  | <b>\$ 216,005,214</b>                   |  |

|                  |         |                  |                   |
|------------------|---------|------------------|-------------------|
| \$               | 319,425 | \$ 2,040,600     | \$ 19,618,698     |
|                  | -       | 27,441           | 960,789           |
|                  | -       | 86,891           | 884,698           |
|                  | -       | -                | 16,861            |
|                  | -       | 3,185            | 9,321             |
| 433,825          |         | 2,368,033        | 2,807,492         |
|                  | -       | -                | 4,132,000         |
| <b>753,250</b>   |         | <b>4,526,150</b> | <b>28,429,859</b> |
| <b>4,358,257</b> |         | <b>397,001</b>   | <b>17,583,609</b> |
| <b>4,358,257</b> |         | <b>397,001</b>   | <b>17,583,609</b> |

|                     |                      |                       |
|---------------------|----------------------|-----------------------|
| -                   | 5,619,328            | 5,619,328             |
| -                   | -                    | 5,360,415             |
| -                   | 940,657              | 4,712,657             |
| -                   | 288,098              | 288,098               |
|                     |                      |                       |
| -                   | 2,988,388            | 41,484,947            |
| -                   | 328,236              | 328,236               |
| -                   | -                    | 13,201,156            |
| -                   | 10,579,305           | 22,707,663            |
| -                   | 32,739,899           | 32,739,899            |
| -                   | 11,996,640           | 11,996,640            |
| -                   | 40,725               | 40,725                |
| -                   | 538,101              | 538,101               |
|                     |                      |                       |
| -                   | -                    | 2,600,000             |
| -                   | -                    | 129,722               |
|                     |                      |                       |
| -                   | -                    | 534,245               |
| -                   | -                    | 622,748               |
| (87,778)            | (361,501)            | 27,087,166            |
| <b>(87,778)</b>     | <b>65,697,876</b>    | <b>169,991,746</b>    |
| <b>\$ 5,023,729</b> | <b>\$ 70,621,027</b> | <b>\$ 216,005,214</b> |

**Assets:**

Pooled cash and investments (note 3)

Receivables:

Accounts

Notes and loans (note 4)

Notes to Successor Agency (note 4)

Interest

Due from other governments

Due from other funds (note 7)

Advances to other funds (note 7)

Land held for resale

Restricted assets:

Cash with fiscal agents (note 3)

**Total Assets**

**Liabilities, Deferred Inflows of Resources, and Fund Balances:**

**Liabilities:**

Accounts payable

Accrued liabilities

Unearned revenues

Deposits payable

Due to other governments

Due to other funds (note 7)

Advances from other funds

**Total Liabilities**

**Deferred Inflows of Resources:**

Unavailable revenues

**Total Deferred Inflows of Resources**

**Fund Balances:**

**Nonspendable:**

Notes and loans

Notes to Successor Agency

Advances to other funds

Permanent fund principal

**Restricted for:**

Community development projects

Public safety

Community and cultural

Public works

Capital projects

Debt service

Endowments

Water quality

**Committed to:**

Revolving line of credit

Maintenance of pedestrian bridge

**Assigned to:**

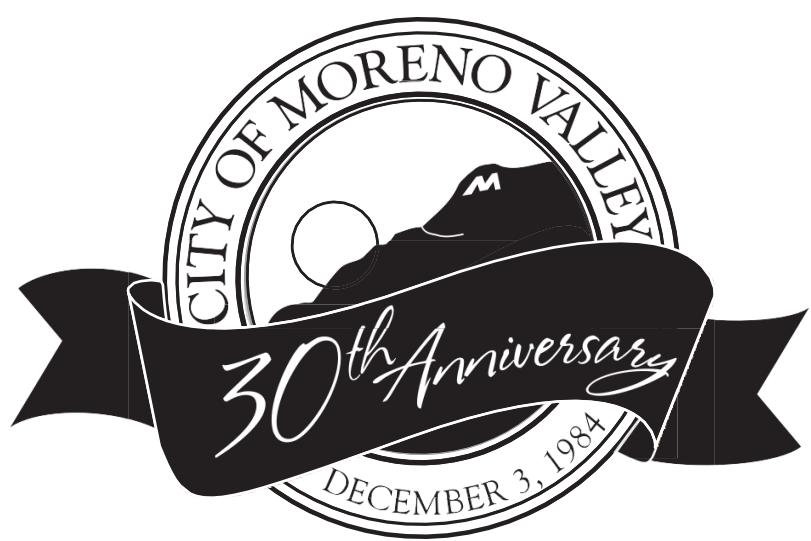
Continuing appropriations

GASB 31

**Unassigned**

**Total Fund Balances**

**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**



**City of Moreno Valley**

**Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2014**

|                                     |                |
|-------------------------------------|----------------|
| Fund balances of governmental funds | \$ 169,991,746 |
|-------------------------------------|----------------|

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity.

|   |               |
|---|---------------|
| Capital Assets (excludes internal service capital assets)                     | 1,250,030,499 |
| Accumulated depreciation (excludes internal service accumulated depreciation) | (369,310,914) |

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

|   |                    |
|---|--------------------|
| 2007 Towntgate Special Tax Refunding Bonds    | \$ (6,825,000)     |
| 2007 Towntgate Improvement Tax Refunding      | (2,835,000)        |
| 2011 Private Placement Refunding, Series 1997 |                    |
| Variable Rate Certificates of Participation   | (2,261,500)        |
| 2005 Lease Revenue Bonds                      | (25,940,000)       |
| 2011 Private Placement Refunding, Series 1997 |                    |
| Variable Rate Certificates of Participation   | (2,555,000)        |
| 2013 Refunding of 2005 Lease Revenue Bonds    | (10,454,230)       |
| 2013 Total Road Improvement Certificates      |                    |
| of Participation                              | (20,000,000)       |
| Unamortized Premium/Discount                  | (806,550)          |
| Prepaid Bond Insurance                        | 191,538            |
| Compensated Absences                          | <u>(5,710,911)</u> |
|   | (77,196,653)       |

Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.

(1,347,000)

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.

(511,589)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

17,583,609

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.

52,457,626

**Net Position of governmental activities**

**\$1,041,697,324**

**City of Moreno Valley**

**Statement of Revenues,  
Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2014**

|  | <b>Special Revenue Funds</b> |                      |                                |                          |
|--|------------------------------|----------------------|--------------------------------|--------------------------|
|  | <b>General</b>               | <b>CSD Zones</b>     | <b>Development Impact Fees</b> | <b>Housing Authority</b> |
| <b>Revenues:</b>   |                              |                      |                                |                          |
| Taxes:   |                              |                      |                                |                          |
| Property taxes   | \$ 10,668,782                | \$ 3,613,161         | \$ -                           | \$ -                     |
| Property taxes in lieu                                       | 13,871,754                   | -                    | -                              | -                        |
| Utility taxes  | 15,595,141                   | -                    | -                              | -                        |
| Sales taxes  | 15,887,129                   | -                    | -                              | -                        |
| Other taxes  | 8,576,926                    | 6,350,039            | -                              | -                        |
| Licenses and permits   | 2,164,753                    | -                    | -                              | -                        |
| Intergovernmental  | 311,509                      | 4,660                | -                              | -                        |
| Charges for services   | 9,895,991                    | 5,958,400            | 2,340,687                      | -                        |
| Use of money and property                                    | 2,836,595                    | 725,733              | 257,273                        | 34,261                   |
| Fines and forfeitures  | 577,962                      | 41,980               | -                              | -                        |
| Contributions  | -                            | -                    | -                              | -                        |
| Contributions from Successor Agency                          | 150,000                      | -                    | -                              | 7,970,000                |
| Miscellaneous  | 492,855                      | 480,449              | -                              | 17,962                   |
| <b>Total Revenues</b>  | <b>81,029,397</b>            | <b>17,174,422</b>    | <b>2,597,960</b>               | <b>8,022,223</b>         |
| <b>Expenditures:</b>   |                              |                      |                                |                          |
| Current:   |                              |                      |                                |                          |
| General government   | 11,249,491                   | -                    | -                              | -                        |
| Public safety  | 52,565,026                   | -                    | -                              | -                        |
| Community development  | 5,344,292                    | -                    | -                              | 56,016                   |
| Community and cultural                                       | -                            | 11,888,439           | -                              | -                        |
| Public works   | 3,974,839                    | 5,760,298            | -                              | -                        |
| Capital outlay   | 152,247                      | 339,048              | -                              | -                        |
| Debt service:  |                              |                      |                                |                          |
| Principal retirement   | -                            | -                    | -                              | -                        |
| Interest and fiscal charges                                  | -                            | -                    | -                              | -                        |
| Bond issuance costs  | -                            | -                    | -                              | -                        |
| <b>Total Expenditures</b>                                    | <b>73,285,895</b>            | <b>17,987,785</b>    | <b>-</b>                       | <b>56,016</b>            |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 7,743,502                    | (813,363)            | 2,597,960                      | 7,966,207                |
| <b>Other Financing Sources (Uses):</b>                       |                              |                      |                                |                          |
| Transfers in (note 7)  | 1,013,421                    | 1,924,735            | 1,484,426                      | -                        |
| Transfers out (note 7)                                       | (2,575,373)                  | (129,722)            | (4,518,200)                    | -                        |
| Refunding bonds issued                                       | -                            | -                    | -                              | -                        |
| Other debt issued  | -                            | -                    | -                              | -                        |
| Bond premium/(discount)                                      | -                            | -                    | -                              | -                        |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>(1,561,952)</b>           | <b>1,795,013</b>     | <b>(3,033,774)</b>             | <b>-</b>                 |
| Net Change in Fund Balances                                  | \$ 6,181,550                 | \$ 981,650           | \$ (435,814)                   | \$ 7,966,207             |
| <b>Fund Balances:</b>  |                              |                      |                                |                          |
| Beginning of year, as originally reported                    | \$ 34,374,025                | \$ 12,219,506        | \$ 12,564,172                  | \$ 30,530,352            |
| Restatements   | -                            | -                    | -                              | -                        |
| Beginning of year, as restated                               | 34,374,025                   | 12,219,506           | 12,564,172                     | 30,530,352               |
| Net change in fund balances                                  | 6,181,550                    | 981,650              | (435,814)                      | 7,966,207                |
| <b>End of Year</b>   | <b>\$ 40,555,575</b>         | <b>\$ 13,201,156</b> | <b>\$ 12,128,358</b>           | <b>\$ 38,496,559</b>     |

**Special  
Revenue Funds**

| <b>Neighborhood<br/>Stabilization<br/>Grant</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|--|---|
| \$ -  | \$ -                                       | \$ 14,281,943                           |
| -   | -  | 13,871,754                              |
| -   | -  | 15,595,141                              |
| -   | -  | 15,887,129                              |
| -   | 117,164                                    | 15,044,129                              |
| -   | -  | 2,164,753                               |
| 1,096,836                                       | 27,397,214                                 | 28,810,219                              |
| -   | 2,034,556                                  | 20,229,634                              |
| -   | 180,727                                    | 4,034,589                               |
| -   | -  | 619,942                                 |
| -   | 17,576                                     | 17,576                                  |
| -   | 1,609,528                                  | 9,729,528                               |
| -   | 1,260,623                                  | 2,251,889                               |
| <b>1,096,836</b>                                | <b>32,617,388</b>                          | <b>142,538,226</b>                      |

**Revenues:**

Taxes:

- Property taxes
- Property taxes in lieu
- Utility taxes
- Sales taxes
- Other taxes
- Licenses and permits
- Intergovernmental
- Charges for services
- Use of money and property
- Fines and forfeitures
- Contributions
- Contributions from Successor Agency
- Miscellaneous

**Total Revenues**

**Expenditures:**

Current:

- General government
- Public safety
- Community development
- Community and cultural
- Public works
- Capital outlay
- Debt service:
- Principal retirement
- Interest and fiscal charges
- Bond issuance costs

**Total Expenditures**

Excess (Deficiency) of Revenues  
Over (Under) Expenditures

**Other Financing Sources (Uses):**

- Transfers in (note 7)
- Transfers out (note 7)
- Refunding bonds issued
- Other debt issued
- Bond premium/(discount)

**Total Other Financing Sources  
(Uses)**

Net Change in Fund Balances

**Fund Balances:**

Beginning of year, as originally reported

Restatements

Beginning of year, as restated

Net change in fund balances

**End of Year**

**City of Moreno Valley**

**Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2014**

|  |               |
|--|---------------|
| Net change in fund balances - total governmental funds | \$ 18,560,047 |
|--|---------------|

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 (excludes internal service capital outlay)     | 24,777,578   |
| Depreciation expense (excludes internal service depreciation) | (26,784,459) |
| Contributed capital assets                                    | 3,335,000    |

The issuance of long-term debt provides current financial resources in the governmental funds, but issuing debt increases the long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|   |              |
|---|--------------|
| Principal repayments  | 13,884,500   |
| New debt issued   | (20,000,000) |
| Refunded debt issued  | (10,454,230) |
| Plus premium/discount on debt issued                          | (905,166)    |
| Prepaid bond insurance on debt issued                         | 199,518      |
| Amortization of bond premiums/discounts and prepaid insurance | 90,636       |

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

|           |  |
|-----------|--|
| (140,909) |  |
|-----------|--|

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

|          |  |
|----------|--|
| (31,607) |  |
|----------|--|

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense.

|           |  |
|-----------|--|
| (447,000) |  |
|-----------|--|

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

|         |  |
|---------|--|
| 968,749 |  |
|---------|--|

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.

|           |  |
|-----------|--|
| 1,281,979 |  |
|-----------|--|

Extraordinary gains and losses relating to capital assets and long-term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported in the governmental funds.

|                |            |
|----------------|------------|
| Capital assets | 26,364,076 |
|----------------|------------|

|  |                      |
|--|----------------------|
| <b>Change in net position of governmental activities</b> | <b>\$ 30,698,712</b> |
|--|----------------------|

**City of Moreno Valley**

**Budgetary Comparison Statement**  
**General Fund**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                      | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|----------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>         |                           |   |
| <b>Revenues:</b>   |                       |                      |                           |   |
| Taxes:   |                       |                      |                           |   |
| Property taxes   | \$ 9,647,100          | \$ 9,647,100         | \$ 10,668,782             | \$ 1,021,682  |
| Property taxes in-lieu                                       | 13,640,000            | 13,840,000           | 13,871,754                | 31,754  |
| Utility user's tax   | 16,114,000            | 16,114,000           | 15,595,141                | (518,859)   |
| Sales taxes  | 15,570,000            | 15,570,000           | 15,887,129                | 317,129   |
| Other taxes  | 7,965,000             | 7,965,000            | 8,576,926                 | 611,926   |
| Licenses and permits   | 1,514,000             | 1,764,000            | 2,164,753                 | 400,753   |
| Intergovernmental  | 265,000               | 235,000              | 311,509                   | 76,509  |
| Charges for services   | 8,869,395             | 9,224,707            | 9,895,991                 | 671,284   |
| Use of money and property                                    | 2,688,000             | 2,688,000            | 2,836,595                 | 148,595   |
| Fines and forfeitures  | 601,500               | 601,500              | 577,962                   | (23,538)  |
| Contributions from Successor Agency                          | -                     | 150,000              | 150,000                   | -   |
| Miscellaneous  | 51,400                | 51,400               | 492,855                   | 441,455   |
| <b>Total Revenues:</b>                                       | <b>76,925,395</b>     | <b>77,850,707</b>    | <b>81,029,397</b>         | <b>3,178,690</b>  |
| <b>Expenditures:</b>   |                       |                      |                           |   |
| Current:   |                       |                      |                           |   |
| General government   |                       |                      |                           |   |
| City council   | 616,632               | 654,113              | 642,585                   | 11,528  |
| City manager   | 1,318,957             | 1,917,210            | 1,915,199                 | 2,011   |
| City clerk   | 448,351               | 541,202              | 573,396                   | (32,194)  |
| City attorney  | 483,533               | 776,045              | 869,430                   | (93,385)  |
| Financial and management services                            | 2,980,392             | 3,091,265            | 2,844,706                 | 246,559   |
| Administrative services                                      | 3,657,689             | 3,764,674            | 3,544,108                 | 220,566   |
| Non-departmental   | 812,500               | 221,553              | 860,067                   | (638,514)   |
| Public safety  |                       |                      |                           |   |
| Police   | 37,936,734            | 37,520,695           | 36,019,308                | 1,501,387   |
| Fire   | 17,368,153            | 17,417,212           | 16,545,718                | 871,494   |
| Community development  | 6,731,597             | 5,714,662            | 5,344,292                 | 370,370   |
| Public works   | 2,136,995             | 4,465,001            | 3,974,839                 | 490,162   |
| Capital outlay   | 192,000               | 337,679              | 152,247                   | 185,432   |
| <b>Total Expenditures</b>                                    | <b>74,683,533</b>     | <b>76,421,311</b>    | <b>73,285,895</b>         | <b>3,135,416</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 2,241,862             | 1,429,396            | 7,743,502                 | 6,314,106   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                      |                           |   |
| Transfers in (note 7)  | 967,341               | 1,097,063            | 1,013,421                 | (83,642)  |
| Transfers out (note 7)                                       | (2,284,003)           | (2,575,427)          | (2,575,373)               | 54  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(1,316,662)</b>    | <b>(1,478,364)</b>   | <b>(1,561,952)</b>        | <b>(83,588)</b>   |
| Net Change in Fund Balances                                  | 925,200               | (48,968)             | 6,181,550                 | 6,230,518   |
| Fund Balance, Beginning of Year                              | 34,374,025            | 34,374,025           | 34,374,025                | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 35,299,225</b>  | <b>\$ 34,325,057</b> | <b>\$ 40,555,575</b>      | <b>\$ 6,230,518</b>   |

**City of Moreno Valley**

**Budgetary Comparison Statement  
CSD Zones  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|---------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>        |                           |   |
| <b>Revenues:</b>   |                       |                     |                           |   |
| Taxes:   |                       |                     |                           |   |
| Property taxes   | \$ 3,188,300          | \$ 3,188,300        | \$ 3,613,161              | \$ 424,861  |
| Other taxes  | 6,322,000             | 6,322,000           | 6,350,039                 | 28,039  |
| Intergovernmental  | -                     | -                   | 4,660                     | 4,660   |
| Charges for services   | 6,115,031             | 5,865,531           | 5,958,400                 | 92,869  |
| Use of money and property                                    | 614,221               | 614,221             | 725,733                   | 111,512   |
| Fines and forfeitures  | 50,000                | 50,000              | 41,980                    | (8,020)   |
| Miscellaneous  | 20,100                | 20,580              | 480,449                   | 459,869   |
| <b>Total Revenues</b>  | <b>16,309,652</b>     | <b>16,060,632</b>   | <b>17,174,422</b>         | <b>1,113,790</b>  |
| <b>Expenditures:</b>   |                       |                     |                           |   |
| Current:   |                       |                     |                           |   |
| Community and cultural                                       | 11,790,946            | 12,350,161          | 11,888,439                | 461,722   |
| Public works   | 6,520,744             | 6,560,347           | 5,760,298                 | 800,049   |
| Capital outlay   | 883,000               | 992,000             | 339,048                   | 652,952   |
| <b>Total Expenditures</b>                                    | <b>19,194,690</b>     | <b>19,902,508</b>   | <b>17,987,785</b>         | <b>1,914,723</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (2,885,038)           | (3,841,876)         | (813,363)                 | 3,028,513   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                     |                           |   |
| Transfers in (note 7)  | 1,783,244             | 2,041,371           | 1,924,735                 | (116,636)   |
| Transfers out (note 7)                                       | -                     | (129,722)           | (129,722)                 | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>1,783,244</b>      | <b>1,911,649</b>    | <b>1,795,013</b>          | <b>(116,636)</b>  |
| Net Change in Fund Balances                                  | (1,101,794)           | (1,930,227)         | 981,650                   | 2,911,877   |
| Fund Balance, Beginning of Year                              | 12,219,506            | 12,219,506          | 12,219,506                | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$11,117,712</b>   | <b>\$10,289,279</b> | <b>\$13,201,156</b>       | <b>\$ 2,911,877</b>   |

**City of Moreno Valley**

**Budgetary Comparison Statement**  
**Development Impact Fees**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|--|-----------------------|---------------------|-----------------------|-----------------------------------|
|  | <b>Original</b>       | <b>Final</b>        |                       | <b>Positive (Negative)</b>        |
| <b>Revenues:</b>   |                       |                     |                       |                                   |
| Charges for services   | \$ 418,500            | \$ 418,500          | \$ 2,340,687          | \$ 1,922,187                      |
| Use of money and property                                    | 211,400               | 225,350             | 257,273               | 31,923                            |
| <b>Total Revenues</b>  | <b>629,900</b>        | <b>643,850</b>      | <b>2,597,960</b>      | <b>1,954,110</b>                  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 629,900               | 643,850             | 2,597,960             | 1,954,110                         |
| <b>Other Financing Sources (Uses):</b>                       |                       |                     |                       |                                   |
| Transfers in (note 7)  | 1,484,426             | 1,484,426           | 1,484,426             | -                                 |
| Transfers out (note 7)                                       | (4,291,200)           | (4,518,200)         | (4,518,200)           | -                                 |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(2,806,774)</b>    | <b>(3,033,774)</b>  | <b>(3,033,774)</b>    | <b>-</b>                          |
| Net Change in Fund Balances                                  | (2,176,874)           | (2,389,924)         | (435,814)             | 1,954,110                         |
| Fund Balance, Beginning of Year                              | 12,564,172            | 12,564,172          | 12,564,172            | -                                 |
| <b>Fund Balance, End of Year</b>                             | <b>\$10,387,298</b>   | <b>\$10,174,248</b> | <b>\$12,128,358</b>   | <b>\$ 1,954,110</b>               |

**City of Moreno Valley**

**Budgetary Comparison Statement  
Housing Authority  
Year Ended June 30, 2014**

|  | Budget Amounts      |                     | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>Revenues:</b>   |                     |                     |                     |   |
| Use of money and property                                    | \$ 15,000           | \$ 15,000           | \$ 34,261           | \$ 19,261   |
| Contributions from Successor Agency                          | -                   | -                   | 7,970,000           | 7,970,000   |
| Miscellaneous  | -                   | -                   | 17,962              | 17,962  |
| <b>Total Revenues</b>  | <b>15,000</b>       | <b>15,000</b>       | <b>8,022,223</b>    | <b>8,007,223</b>  |
| <b>Expenditures:</b>   |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| Community development  | -                   | -                   | 56,016              | (56,016)  |
| <b>Total Expenditures</b>                                    | <b>-</b>            | <b>-</b>            | <b>56,016</b>       | <b>(56,016)</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 15,000              | 15,000              | 7,966,207           | 7,951,207   |
| Fund Balance, Beginning of Year                              | 30,530,352          | 30,530,352          | 30,530,352          | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$30,545,352</b> | <b>\$30,545,352</b> | <b>\$38,496,559</b> | <b>\$ 7,951,207</b>                                     |

**City of Moreno Valley**

**Budgetary Comparison Statement  
Neighborhood Stabilization Grant  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b>     |                       | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|---------------------------|-----------------------|---|
|  | <b>Original</b>           | <b>Final</b>          |   |
|  | <b>Actual<br/>Amounts</b> |                       |   |
| <b>Revenues:</b>   |                           |                       |   |
| Intergovernmental  | \$ 3,500,000              | \$ 3,500,000          | \$ (2,403,164)  |
| <b>Total Revenues</b>  | <b>3,500,000</b>          | <b>3,500,000</b>      | <b>(2,403,164)</b>  |
| <b>Expenditures:</b>   |                           |                       |   |
| Current:   |                           |                       |   |
| Community development  | 3,466,451                 | 4,664,280             | 1,211,334   |
| <b>Total Expenditures</b>                                    | <b>3,466,451</b>          | <b>4,664,280</b>      | <b>1,211,334</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 33,549                    | (1,164,280)           | (114,498)   |
| Net Change in Fund Balances                                  | 33,549                    | (1,164,280)           | (114,498)   |
| Fund Balance, Beginning of Year                              | 26,720                    | 26,720                | 26,720  |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 60,269</b>          | <b>\$ (1,137,560)</b> | <b>\$ (87,778)</b>  |
|  |                           |                       | <b>\$ 1,049,782</b>   |



## **PROPRIETARY FUNDS**

### **ENTERPRISE FUND:**

#### **Electric Fund**

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

### **INTERNAL SERVICE FUNDS:**

#### **Internal Service Funds**

These funds are used to account for services provided to other departments on a cost reimbursement basis. These services include providing insurance benefits, maintaining and replacing information systems, facilities maintenance, vehicle and equipment maintenance, and accumulating cash reserves for equipment replacement.

**City of Moreno Valley**

**Statement of Net Position  
Proprietary Funds  
June 30, 2014**

|   | <b>Enterprise<br/>Fund -<br/>Electric</b> | <b>Governmental<br/>Activities-<br/>Internal<br/>Service Funds</b> |
|---|---|--|
| <b>Assets:</b>  |   |  |
| Current:  |   |  |
| Pooled cash and investments (note 3)                      | \$ 6,145,248                              | \$ 41,340,338  |
| Receivables:  |   |  |
| Accounts  | 2,940,180                                 | 162  |
| Prepaid costs   | -   | 1,922  |
| Inventories   | 243,400                                   | 39,740   |
| Restricted:   |   |  |
| Cash with fiscal agent (note 3)                           | 1,447,798                                 | -  |
| <b>Total Current Assets</b>                               | <b>10,776,626</b>                         | <b>41,382,162</b>  |
| Noncurrent:   |   |  |
| Capital assets - net of accumulated depreciation (note 5) | 35,960,105                                | 14,265,769   |
| <b>Total Noncurrent Assets</b>                            | <b>35,960,105</b>                         | <b>14,265,769</b>  |
| <b>Total Assets</b>                                       | <b>\$46,736,731</b>                       | <b>\$ 55,647,931</b>   |
| <b>Liabilities and Net Position:</b>                      |   |  |
| <b>Liabilities:</b>                                       |   |  |
| Current:  |   |  |
| Accounts payable  | \$ 3,081,297                              | \$ 328,465   |
| Accrued interest  | 255,296                                   | -  |
| Unearned revenues   | 33,959                                    | -  |
| Deposits payable  | 993,332                                   | -  |
| Due to other governments                                  | 94,500                                    | -  |
| Compensated absences (note 6)                             | 75,400                                    | 460,704  |
| Self-insurance payable (note 12)                          | -   | 708,000  |
| Bonds, notes, and loans payable (note 6)                  | 566,770                                   | -  |
| <b>Total Current Liabilities</b>                          | <b>5,100,554</b>                          | <b>1,497,169</b>   |
| Noncurrent:   |   |  |
| Advances from other funds (note 7)                        | 580,657                                   | -  |
| Compensated absences (note 6)                             | 50,267                                    | 307,136  |
| Self-insurance payable (note 12)                          | -   | 1,386,000  |
| Bonds, notes, and loans payable (note 6)                  | 27,271,837                                | -  |
| <b>Total Noncurrent Liabilities</b>                       | <b>27,902,761</b>                         | <b>1,693,136</b>   |
| <b>Total Liabilities</b>                                  | <b>33,003,315</b>                         | <b>3,190,305</b>   |
| <b>Net Position:</b>                                      |   |  |
| Net investment in capital assets                          | 9,569,296                                 | 14,265,769   |
| Restricted for public purpose programs                    | 3,903,663                                 | -  |
| Unrestricted  | 260,457                                   | 38,191,857   |
| <b>Total Net Position</b>                                 | <b>13,733,416</b>                         | <b>52,457,626</b>  |
| <b>Total Liabilities and Net Position</b>                 | <b>\$46,736,731</b>                       | <b>\$ 55,647,931</b>   |

**City of Moreno Valley**

**Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2014**

|   | <b>Enterprise<br/>Fund -<br/>Electric</b> | <b>Governmental<br/>Activities-<br/>Internal<br/>Service Funds</b> |
|---|---|--|
| <b>Operating Revenues:</b>                        |   |  |
| Sales and service charges                         | \$ 19,905,135                             | \$ 13,171,084  |
| Miscellaneous                                     | 531,523                                   | 35,451   |
| <b>Total Operating Revenues</b>                   | <b><u>20,436,658</u></b>                  | <b><u>13,206,535</u></b>   |
| <b>Operating Expenses:</b>                        |   |  |
| Cost of services                                  | 726,109                                   | 8,336,198  |
| Depreciation expense                              | 852,984                                   | 915,603  |
| Electricity purchased                             | 10,200,721                                | -  |
| Services and supplies                             | 3,695,862                                 | -  |
| Distributive share                                | 2,678,910                                 | -  |
| Self-insurance claims and charges                 | -   | 849,758  |
| <b>Total Operating Expenses</b>                   | <b><u>18,154,586</u></b>                  | <b><u>10,101,559</u></b>   |
| Operating Income (Loss)                           | 2,282,072                                 | 3,104,976  |
| <b>Nonoperating Revenues (Expenses):</b>          |   |  |
| Interest revenue                                  | 35,249                                    | -  |
| Interest expense                                  | (1,641,560)                               | -  |
| Engineering plan check fees                       | 308,601                                   | -  |
| Gain (loss) on disposal of capital assets         | -   | (37,115)   |
| <b>Total Nonoperating<br/>Revenues (Expenses)</b> | <b><u>(1,297,710)</u></b>                 | <b><u>(37,115)</u></b>   |
| Income (Loss) Before Transfers                    | 984,362                                   | 3,067,861  |
| Transfers in (note 7)                             | 904,032                                   | 2,325,628  |
| Transfers out (note 7)                            | -   | (4,111,510)  |
| Changes in Net Position                           | 1,888,394                                 | 1,281,979  |
| <b>Net Position:</b>                              |   |  |
| Beginning of Fiscal Year                          | <u>11,845,022</u>                         | <u>51,175,647</u>  |
| <b>End of Fiscal Year</b>                         | <b><u>\$ 13,733,416</u></b>               | <b><u>\$ 52,457,626</u></b>  |

**City of Moreno Valley**

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

|   | <b>Enterprise<br/>Fund -<br/>Electric</b> | <b>Governmental<br/>Activities-<br/>Internal<br/>Service Funds</b> |
|---|---|--|
| <b>Cash Flows from Operating Activities:</b>  |   |  |
| Cash received from customers  | \$ 20,324,328                             | \$ 13,206,585  |
| Cash paid to suppliers for goods and services   | (12,242,327)                              | (5,692,713)  |
| Cash paid to employees for services   | (4,414,354)                               | (3,294,902)  |
| Cash paid for claims  | -   | (863,758)  |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>3,667,647</b>                          | <b>3,355,212</b>   |
| <b>Cash Flows from Non-Capital<br/>Financing Activities:</b>  |   |  |
| Cash transfers in   | 904,032                                   | 2,325,628  |
| Cash transfers out  | -   | (4,111,510)  |
| Cash paid to utility operator   | (2,289,297)                               | -  |
| <b>Net Cash Provided (Used) by<br/>Non-Capital Financing Activities</b>                                       | <b>(1,385,265)</b>                        | <b>(1,785,882)</b>   |
| <b>Cash Flows from Capital<br/>and Related Financing Activities:</b>  |   |  |
| Proceeds from capital debt  | 1,341,288                                 | -  |
| Acquisition and construction of capital assets  | (1,394,785)                               | (1,307,536)  |
| Engineering plan check fees   | 308,601                                   | -  |
| Principal paid on capital debt  | (1,925,000)                               | -  |
| Interest paid on capital debt   | (1,646,664)                               | -  |
| Repayment of loans to other governments   | (31,500)                                  | -  |
| <b>Net Cash Provided (Used) by<br/>Capital and Related Financing Activities</b>                               | <b>(3,348,060)</b>                        | <b>(1,307,536)</b>   |
| <b>Cash Flows from Investing Activities:</b>  |   |  |
| Interest received   | 35,249                                    | -  |
| <b>Net Cash Provided (Used) by<br/>Investing Activities</b>   | <b>35,249</b>                             | <b>-</b>   |
| <b>Net Increase (Decrease) in Cash<br/>and Cash Equivalents</b>   | <b>(1,030,429)</b>                        | <b>261,794</b>   |
| Cash and Cash Equivalents at Beginning of Year  | 8,623,475                                 | 41,078,544   |
| <b>Cash and Cash Equivalents at End of Year</b>   | <b>\$ 7,593,046</b>                       | <b>\$ 41,340,338</b>   |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided (Used) by Operating Activities:</b>            |   |  |
| Operating income (loss)   | \$ 2,282,072                              | \$ 3,104,976   |
| <b>Adjustments to reconcile operating income (loss)<br/>net cash provided (used) by operating activities:</b> |   |  |
| Depreciation  | 852,984                                   | 915,603  |
| (Increase) decrease in accounts receivable  | (216,868)                                 | 50   |
| (Increase) decrease in prepaid costs  | -   | 3,877  |
| (Increase) decrease in inventories  | (11,350)                                  | 2,896  |
| Increase (decrease) in accounts payable   | 648,352                                   | (711,949)  |
| Increase (decrease) in accrued liabilities  | (13,990)                                  | (60,299)   |
| Increase (decrease) in unearned revenue   | 11,758                                    | -  |
| Increase (decrease) in deposits payable   | 92,780                                    | -  |
| Increase (decrease) in self-insurance payable   | -   | (14,000)   |
| Increase (decrease) in compensated absences   | 21,909                                    | 114,058  |
| <b>Total Adjustments</b>  | <b>1,385,575</b>                          | <b>250,236</b>   |
| <b>Net Cash Provided (Used) by<br/>Operating Activities</b>   | <b>\$ 3,667,647</b>                       | <b>\$ 3,355,212</b>  |
| <b>Non-Cash Investing, Capital, and Financing Activities:</b>   |   |  |
| There were no noncash investing, capital or noncapital financing activities for the year ended June 30, 2014. |   |  |

## **FIDUCIARY FUNDS**

### **FIDUCIARY FUNDS:**

#### **Fiduciary Funds**

These funds are used to account for assets held in an agency or trustee capacity for others. These funds cannot be used to support the City's own programs.

**City of Moreno Valley**

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

|   | <b>Agency<br/>Funds</b>    | <b>Private-<br/>Purpose Trust<br/>Fund</b> | <b>Successor<br/>Agency of the<br/>Former RDA</b> |
|---|----------------------------|--|---|
| <b>Assets:</b>                                      |                            |  |   |
| Pooled cash and investments (note 3 and 13)         | \$ 4,873,927               | \$ 3,527,892                               |   |
| Due from other governments                          | -                          | 94,500                                     |   |
| Restricted assets:                                  |                            |  |   |
| Cash with fiscal agents (note 3 and 13)             | <u>749,308</u>             | <u>2</u>                                   |   |
| <b>Total Assets</b>                                 | <b><u>\$ 5,623,235</u></b> | <b><u>3,622,394</u></b>                    |   |
| <b>Liabilities:</b>                                 |                            |  |   |
| Accounts payable                                    | \$ 187,093                 | 7,189                                      |   |
| Accrued interest                                    | -                          | 842,202                                    |   |
| Deposits payable                                    | 3,993,060                  | -  |   |
| Due to other governments                            | -                          | 1,058                                      |   |
| Payable to trustee                                  | 1,443,082                  | -  |   |
| Long-term debt, due within one year (note 13)       | -                          | 230,000                                    |   |
| Long-term debt, due in more than one year (note 13) | -                          | 59,242,136                                 |   |
| <b>Total Liabilities</b>                            | <b><u>\$ 5,623,235</u></b> | <b><u>60,322,585</u></b>                   |   |
| <b>Net Position:</b>                                |                            |  |   |
| Held in trust for other purposes                    |                            | (56,700,191)                               |   |
| <b>Total Net Position</b>                           |                            | <b><u>\$ (56,700,191)</u></b>              |   |

**City of Moreno Valley**

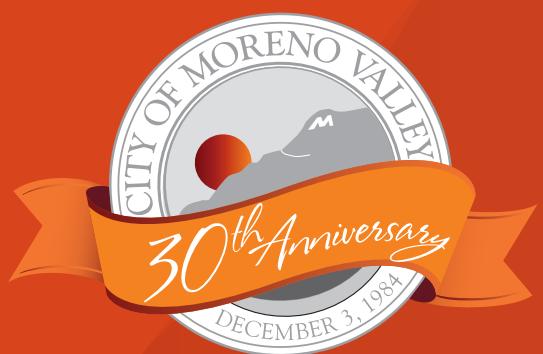
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2014**

|  | <b>Private-Purpose Trust Fund</b> |
|--|-----------------------------------|
| <b>Additions:</b>  |                                   |
| Taxes  | \$ 6,305,087                      |
| Use of money and property  | <u>13,942</u>                     |
| <b>Total Additions</b>   | <b><u>6,319,029</u></b>           |
| <b>Deductions:</b>   |                                   |
| Administrative expenses  | 76,260                            |
| Contractual services   | 14,589                            |
| Interest expense   | 3,048,923                         |
| Depreciation expense   | 991,196                           |
| Contributions to City  | <u>9,729,528</u>                  |
| <b>Total Deductions</b>  | <b><u>13,860,496</u></b>          |
| Extraordinary gain/(loss) on dissolution of redevelopment agency (note 13) | <u>(26,364,076)</u>               |
| <b>Changes in Net Position</b>   | <b>(33,905,543)</b>               |
| Net Position - Beginning of the Year                                       | <u>(22,794,648)</u>               |
| <b>Net Position - End of the Year</b>                                      | <b><u>\$ (56,700,191)</u></b>     |



Notes to Basic Financial Statements

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year  
Ended June 30, 2014

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014**

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

##### **a. Description of the Reporting Entity**

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

##### **Reporting Entity**

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

- The Moreno Valley Community Services District (the District) was established pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982. Its purpose is to finance the acquisition and construction of certain major public capital infrastructure and improvements within the boundaries of the Community Facilities Districts. Separate financial statements for the District are available from the City Clerk.
- Community Facilities District No. 3 (Auto Mall Refinancing), and Community Facilities District No. 87-1 and 87-1, IA#1 (Towngate) were established pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982. Their purpose is to finance the acquisition and construction of certain major public capital infrastructure and improvements within the boundaries of the Community Facilities Districts and they are governed by City Council. Separate financial statements are not available for the Community Facilities Districts.
- The Moreno Valley Public Facilities Financing Corporation (MVPFFC) and the Moreno Valley Public Financing Authority (MVPFA) are nonprofit public benefit corporations, formed for the purpose of providing public facility financing to the City. The Corporations' Boards of Directors are each composed of the five elected City Council members. Both Corporations may acquire, construct, rehabilitate, remodel, improve, install and finance or lease various facilities, land and equipment for the benefit of the City. Separate financial statements are not available for the Public Facilities Financing Corporation and the Public Financing Authority.

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

- The Moreno Valley Housing Authority (the Housing Authority) was established pursuant to State law section 34240 of the California Health and Safety Code, which allows for every City to establish a housing authority. The Housing Authority is designed to protect local housing funds and programs, provide new revenue opportunities for affordable housing programs, serve the public interest, promote public safety and welfare, and ensure decent, safe, sanitary and affordable housing accommodations to persons of low income. The City of Moreno Valley City Council serves as the Housing Authority's Commissioners. Separate financial statements are not available for the Housing Authority.

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

#### **b. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **c. Measurement Focus, Basis of Accounting and Financial Statements Presentation**

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

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, while grant and sales tax 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The CSD Zones Special Revenue Fund accounts for restricted property taxes for the various Community Services District (CSD) programs. There are nine Zones within the Community Services District providing services. Zone A-Parks and Community Services provides citywide park maintenance and recreation programming. Zone B-Residential Street Lighting provides residential subdivision street lighting. Zone C-Arterial Street Lighting provides citywide street lighting on major arterial streets. Zone D-Standard Landscaping provides landscaping for residential developments throughout the City. Zone E-Extensive Landscaping provides landscaping in major developments within the City. Zone L-Library Services provides library services to City residents. Zone M-Medians provides maintenance of median landscaping within the City. Community Facilities District (CFD) #1 provides maintenance of new parks, trails and class 1 bikeways. Zone S – Sunnymead Boulevard Maintenance provides maintenance of extensive landscape services for certain improvements along Sunnymead Boulevard.

The Development Impact Fees Special Revenue Fund accounts for the restricted fees collected to provide funding for capital improvements related to the impact of development on various City services. The City collects fees for the following: arterial streets, traffic signals, fire facilities, police facilities, parkland facilities, Quimby in-lieu of parks, recreation facilities, library facilities, city hall facilities, corporate yard facilities, interchange improvements, maintenance equipment, animal shelter facilities, and administrative fees. The City has elected to report this fund as a major fund.

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

The Housing Authority accounts for the housing assets as a result of the dissolution of the former Community Redevelopment Agency of the City.

The Neighborhood Stabilization Grant Fund is used to account for the grant allocation received by the City from HUD to address the foreclosure crisis and implement a neighborhood stabilization program (NSP) aimed at assisting low-to moderate-income households, while targeting the areas of the City most affected by the foreclosures.

The City reports the following major business-type fund:

The Electric Fund accounts 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.

Additionally the government reports the following fund types:

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

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

The Private-Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and its allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Funds are charges to other departments or agencies for sales and services. Operating expenses for Internal Service Funds include the cost of sales and services, administrative expenses and depreciation

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **d. Assets, Liabilities, Deferred Inflows and Net Position or Equity**

##### **Deposits, Investments, Cash and Cash Equivalents**

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

Investments for the City, as well as for its component units, are reported at fair value except for investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The City's policy is generally to hold investments until maturity or until fair values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

##### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

##### **Inventory and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory consists of expendable supplies held for consumption.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been set aside as nonspendable for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

##### **Capital Assets**

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

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

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

cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

| Assets                     | Years   |
|----------------------------|---------|
| Buildings and Improvements | 5 - 50  |
| Furniture and Equipment    | 3 - 15  |
| Vehicles                   | 3 - 10  |
| Infrastructure             | 25 - 50 |

#### Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Unavailable revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The amount is deferred and recognized as an inflow of resources in the period when the amount becomes available.

#### Unearned Revenue

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

#### Compensated Absences

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

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

##### **Long-Term Obligations**

In the government-wide financial statements, and proprietary and fiduciary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

##### **Land Held for Resale**

Land purchased for the purposes of resale is recorded at cost or, if lower, the estimated net realizable value upon entering into an agreement to sell the property.

##### **Fund Balance**

In the governmental fund financial statements, fund balances are classified as follows:

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 or 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, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the City Council.

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 Management Services Director is authorized to assign amounts to a specific purpose, which was established by the governing body in a resolution.

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

An individual governmental fund could include nonspendable resources and amounts that are restricted, committed, assigned, or unassigned or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

#### **Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### **Property Taxes**

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

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

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

**a. Budget Information**

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

The City Council may amend the budget only during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIIIB of the State Constitution.

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

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the Governmental Fund types, unexpended budgeted amounts, except for amounts relating to capital projects, lapse at the end of the budget year. Spending control (legal level) for most funds is established by the amount of expenditures budgeted at the departmental and fund levels. Accordingly, the General Fund expenditures are displayed in the supplementary schedules at the department level and the Special Revenue, Debt Service and Capital Projects Funds expenditures are displayed at the function level. Management control is exercised at the line item level in each operating program. Management can transfer budgeted amounts between operating programs, departments or funds, provided that such transfers do not increase the overall budget. Appropriations that increase the budget require City Council approval.

For fiscal year 2013-2014, the following funds had no adopted annual budgets:

- Traffic Signal Mitigation Capital Projects Fund
- Warner Ranch Capital Development Capital Projects Fund

These funds had no adopted budget due to the timing of the usage of the funds. Money will be budgeted as needed based on specific projects to be completed with these funds.

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**b. Excess Expenditures Over Appropriations**

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

|  | Final<br>Budget | Expenditures | Excess    |
|--|-----------------|--------------|-----------|
| General Fund:  |                 |              |           |
| City clerk   | \$ 541,202      | \$ 573,396   | \$ 32,194 |
| City attorney  | 776,045         | 869,430      | 93,385    |
| Non-departmental   | 221,553         | 860,067      | 638,514   |
| Housing Authority Special Revenue Fund:                  |                 |              |           |
| Community development                                    | -               | 56,016       | 56,016    |
| State Gasoline Tax Special Revenue Fund:                 |                 |              |           |
| Public works   | 5,710,352       | 5,885,902    | 175,550   |
| Public Education Government Access Special Revenue Fund: |                 |              |           |
| Public works   | -               | 865          | 865       |
| Capital outlay   | 499,889         | 500,343      | 454       |
| Air Quality Management Special Revenue Fund:             |                 |              |           |
| Public works   | 230,164         | 236,985      | 6,821     |
| Prop 42 Replacement Funds Special Revenue Fund:          |                 |              |           |
| Capital outlay   | 842,161         | 843,310      | 1,149     |
| Civil Penalties Special Revenue Fund:                    |                 |              |           |
| Community development                                    | -               | 14,075       | 14,075    |
| Lease Revenue Bonds 2005 Debt Service Fund:              |                 |              |           |
| General government                                       | 2,100           | 2,525        | 425       |
| TRIP COP 13A Debt Fund Debt Service Fund:                |                 |              |           |
| Public works   | -               | 2,268        | 2,268     |
| Equestrian Trail Endowment Permanent Fund:               |                 |              |           |
| Community and cultural                                   | -               | 429          | 429       |

**Note 3: Cash and Investments**

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

|                            |                       |
|----------------------------|-----------------------|
| Government Activities:     | \$ 170,703,574        |
| Business-Type Activities   | 7,593,046             |
| Fiduciary Funds            | <u>9,151,129</u>      |
|                            |                       |
| Total Cash and Investments | <u>\$ 187,447,749</u> |

Cash and investments as of June 30, 2014, consist of the following:

|   |                       |
|---|-----------------------|
| Cash and Cash Equivalents               |                       |
| Petty cash and change boxes             | \$ 10,770             |
| Demand deposit                          | (1,315,312)           |
| Investments                             | 162,559,535           |
| Cash and Investments with fiscal agents | <u>26,192,756</u>     |
|   |                       |
| Total Cash and Investments              | <u>\$ 187,447,749</u> |

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

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

#### **Deposits**

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by the California Agents of Depository are considered to be held for, and in the name of, the local government agency.

#### **Investments**

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

- U.S. Treasury Bills, Notes and Bonds
- Government Sponsored Enterprises (GSE's) or U.S. Agencies
- California State Local Agency Investment Fund (LAIF)
- Bonds, notes or other indebtedness of the State of California
- Bonds, notes or other indebtedness of local agencies in California
- Bankers Acceptances
- Commercial Paper
- Commercial Paper issued under the Temporary Liquidity Guarantee Program (TLGP)
- Time Deposits and Non-negotiable Certificates of Deposit
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Corporate Obligations (Medium-term Notes)
- Corporate Obligations (Medium-term Notes) issued under the Temporary Liquidity Guarantee Program (TLGP)
- Mutual Funds and Money Market Accounts
- Other Government Sponsored Investment Pools

#### **Investments Authorized by Debt Agreements**

The above investments do not address the investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

##### **Investments in State Investment Pool**

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

##### **GASB Statement No. 31**

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

##### **Credit Risk**

The City's investment policy limits investments in medium term notes (MTN's) to those rated in the top category by two of the three largest nationally recognized rating services at the time of purchase (with split ratings, the lower rating must meet the standard). As of June 30, 2014, the City's investment in medium term notes consisted of investments with Blackrock Inc., PepsiCo Inc., JP Morgan Chase, IBM Corp, Wells Fargo Bank, Berkshire Hathaway, Coca Cola Company, Bank of New York, Pfizer Inc., Praxair Inc., EBAY Inc., Google Inc., John Deere, Occidental Petroleum, United Technologies Corp., Chevron Corp., Intel Corp., WalMart Stores Inc., Apple Inc., U.S. Bankcorp, General Electric, Cisco Systems, Honda, Toyota, and Chase. At June 30, 2014, all MTN's were rated "A" or higher by Moody's. All securities were investment grade and legal under State and City law at their time of purchase. Federal agency securities are rated AA+. Investments in U.S. Treasury securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2014, the City's investments in external investment pools and investment agreements are unrated.

##### **Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The carrying amount of the City's demand deposits was (\$1,315,312) at June 30, 2014. Bank balances before reconciling items was \$2,372,882 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed above under "Deposits". The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with the City's

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

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

investment policy, all investments are held by third-party custodians for safekeeping, with the securities in the City's name. This is the lowest level of custodial credit risk exposure.

**Interest Rate Risk**

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

As of June 30, 2014, the City had the following investments and original maturities:

| Investment Type                 | 6 months or less     | 6 months to 1 year   | 1 to 3 years         | 3 to 5 years         | Fair Value            |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Local Agency Investment Fund    | \$ 28,883,670        | \$ -                 | \$ -                 | \$ -                 | \$ 28,883,670         |
| Money Market Fund               | 36,335               | -                    | -                    | -                    | 36,335                |
| Commercial Paper                | 665,000              | -                    | -                    | -                    | 665,000               |
| Medium Term Notes               | 1,653,493            | 20,543,581           | 4,946,776            | 23,087,925           | 50,231,775            |
| US Treasury Notes               | -                    | -                    | 6,196,292            | 23,166,960           | 29,363,252            |
| Federal Farm Credit Bank        | -                    | -                    | 5,233,923            | 1,633,615            | 6,867,538             |
| Federal Farm Loan Bank          | -                    | -                    | 10,765,543           | 919,484              | 11,685,027            |
| Federal Home Loan Mortgage Corp | -                    | -                    | 12,167,695           | 3,271,661            | 15,439,356            |
| Federal National Mortgage Assn  | 2,031,571            | -                    | 3,314,860            | 14,041,151           | 19,387,582            |
| Held by Bond Trustee:           |                      |                      |                      |                      |                       |
| Money Market Funds              | 26,192,756           | -                    | -                    | -                    | 26,192,756            |
| Totals                          | <u>\$ 59,462,825</u> | <u>\$ 20,543,581</u> | <u>\$ 42,625,089</u> | <u>\$ 66,120,796</u> | <u>\$ 188,752,291</u> |

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

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

##### Concentration of Credit Risk

The City's investment policy imposes restrictions on the maximum percentage and amount that can be invested in certain types of investments. These restrictions are as follows:

| Investment Types  | Maturity Limit | Maximum Portfolio Percentage | Maximum Investment in One Issuer |
|---|----------------|------------------------------|----------------------------------|
| U.S. Treasury bills, notes and bonds                          | 5 years        | None                         | None                             |
| GSE's or U.S. Agencies  | 5 years        | None                         | None                             |
| California State Local Agency Investment Fund                 | n/a            | None                         | None                             |
| Bonds, notes or other indebtedness of the State of California | 5 years        | None                         | None                             |
| Bonds, notes or other indebtedness of local agencies in CA    | 5 years        | None                         | 5%                               |
| Bankers Acceptances   | 180 days       | 40%                          | 5%                               |
| Commercial Paper  | 270 days       | 25%                          | 5%                               |
| Negotiable Certificates of Deposits                           | 5 years        | 30%                          | 5%                               |
| CD Placement Service  | 5 years        | 30%                          | 5%                               |
| Repurchase Agreements   | 1 year         | None                         | 5%                               |
| Reverse Repurchase Agreements                                 | 92 days        | 20%                          | 5%                               |
| Medium-term Notes (MTN's)                                     | 5 years        | 30%                          | 5%                               |
| Mutual Funds and Money Market Accounts                        | n/a            | 20%                          | 5%                               |
| Collateralized Bank Deposits                                  | 5 years        | None                         | 5%                               |
| Mortgage Pass-Through Securities                              | 5 years        | 20%                          | 5%                               |
| Bank/Time Deposits  | 5 years        | None                         | 5%                               |
| Other Governmental Sponsored Investment Pools                 | n/a            | None                         | None                             |

As of June 30, 2014, the City is in compliance with the investment policy restriction.

In accordance with GASB Statement No. 40, if the City has invested more than 5% of its investments in any one issuer, it is exposed to credit risk. The following investments are considered exposed to credit risk:

|                                       |       |
|---------------------------------------|-------|
| Federal Farm Loan Bank                | 6.2%  |
| Federal Home Loan Mortgage Corp       | 8.2%  |
| Federal National Mortgage Association | 10.3% |

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this.

#### Note 4: Notes and Loans

##### a. Notes and Loans Receivable

Notes and loans receivables of \$44,421,616 consist primarily of revolving home improvement loans and are due beyond one year.

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

**Note 4: Notes and Loans (Continued)**

A summary of amounts owed at June 30, 2014, follows:

|                              | Housing Authority    | Neighborhood Stabilization Grant | Nonmajor Governmental Funds | Total                |
|------------------------------|----------------------|----------------------------------|-----------------------------|----------------------|
| Cottonwood Properties        | \$ 3,839,108         | \$ -                             | \$ 2,050,000                | \$ 5,889,108         |
| Sheila Street Rehabilitation | 2,651,875            | -                                | -                           | 2,651,875            |
| RHDC Properties              | 1,833,103            | -                                | 739,756                     | 2,572,859            |
| CVHC                         | 1,639,450            | -                                | -                           | 1,639,450            |
| Ability First                | 824,917              | -                                | -                           | 824,917              |
| Bay Family Apartments        | 755,000              | -                                | -                           | 755,000              |
| Perris Isle                  | 413,000              | -                                | 687,000                     | 1,100,000            |
| Oakwood                      | 3,000,000            | -                                | -                           | 3,000,000            |
| Rancho Dorado                | 12,500,000           | -                                | -                           | 12,500,000           |
| Hemlock Family Apartments    | 6,300,000            | -                                | 1,628,643                   | 7,928,643            |
| Others                       | 687,578              | 4,358,257                        | 513,929                     | 5,559,764            |
| <b>Totals</b>                | <b>\$ 34,444,031</b> | <b>\$ 4,358,257</b>              | <b>\$ 5,619,328</b>         | <b>\$ 44,421,616</b> |

**b. Notes to Successor Agency**

In prior years, the City made various loans to the former Redevelopment Agency. Upon dissolution of the Redevelopment Agency, certain loans were approved as enforceable obligations in a letter dated May 26, 2012, from the California Department of Finance and remain as a receivable in the General Fund and a liability of the Successor Agency. At June 30, 2014, the balance of \$16,998,503 consists of the following:

The Towngate Regional Mall notes (Sears Note) totaling \$13,000,000, originate from a participation agreement (as amended) whereby the Agency acquired certain parcels within the mall for subsequent transfer to major tenants. The notes bear interest at 7.25% and are payable solely from available site-generated property tax increment and up to 50% of site-generated sales tax. Furthermore, the Agency has covenanted to use reasonable best efforts to refinance these notes with Tax Allocation Bonds, provided such financing is determined to be fiscally feasible. At June 30, 2014, accrued interest amounts to \$3,331,838.

The long-term payable to the General Fund from the Agency Debt Service Fund includes \$652,248 representing monies borrowed in prior fiscal years by the Agency to finance redevelopment activities. The monies loaned to the Agency bear an interest rate of 12%. Repayment of the long-term payable will be made when funds becomes available. At June 30, 2014, accrued interest amounts to \$14,417.

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

#### **Note 5: Capital Assets**

The following is a schedule of changes in governmental activities capital assets for the year ended June 30, 2014:

|  | Balance<br>July 1, 2013 | Transfers           | Additions           | Deletions             | Transfers from<br>Successor<br>Agency* | Balance<br>June 30, 2014 |
|--|-------------------------|---------------------|---------------------|-----------------------|--|--------------------------|
| <b>Non-Depreciable Assets:</b>   |                         |                     |                     |                       |  |                          |
| Land   | \$ 300,286,754          | \$ 474,546          | \$ -                | \$ -                  | \$ 9,435,936                           | \$ 310,197,236           |
| Construction In Progress   | 38,339,817              | (39,195,822)        | 27,548,188          | (951,211)             | -                                      | 25,740,972               |
| <b>Total Non-Depreciable Assets</b>  | <b>338,626,571</b>      | <b>(38,721,276)</b> | <b>27,548,188</b>   | <b>(951,211)</b>      | <b>9,435,936</b>                       | <b>335,938,208</b>       |
| <b>Depreciable Assets:</b>   |                         |                     |                     |                       |  |                          |
| Buildings and Improvements   | 115,194,031             | 2,919,080           | 26,598              | (249,602)             | 12,191,837                             | 130,081,944              |
| Furniture and Equipment  | 16,129,238              | 1,471,873           | 217,993             | (595,573)             | 352,837                                | 17,576,368               |
| Vehicles   | 10,510,284              | -                   | 228,276             | (1,461,011)           | -                                      | 9,277,549                |
| Infrastructure   | 734,572,111             | 34,330,323          | 3,335,000           | (13,864)              | 9,933,800                              | 782,157,370              |
| <b>Total Depreciable Assets</b>  | <b>876,405,664</b>      | <b>38,721,276</b>   | <b>3,807,867</b>    | <b>(2,320,050)</b>    | <b>22,478,474</b>                      | <b>939,093,231</b>       |
| <b>Less Accumulated Depreciation:</b>                                      |                         |                     |                     |                       |  |                          |
| Buildings and Improvements   | (44,688,621)            | -                   | (3,156,493)         | -                     | (4,118,674)                            | (51,963,788)             |
| Furniture and Equipment  | (11,258,538)            | -                   | (1,060,764)         | 575,584               | (352,837)                              | (12,096,555)             |
| Vehicles   | (8,698,070)             | -                   | (429,895)           | 722,622               | -                                      | (8,405,343)              |
| Infrastructure   | (283,448,665)           | -                   | (23,052,910)        | -                     | (1,078,823)                            | (307,580,398)            |
| <b>Total Accumulated Depreciation</b>                                      | <b>(348,093,894)</b>    | <b>-</b>            | <b>(27,700,062)</b> | <b>1,298,206</b>      | <b>(5,550,334)</b>                     | <b>(380,046,084)</b>     |
| <b>Total Depreciable Assets,</b><br><b>Net of Accumulated Depreciation</b> | <b>528,311,770</b>      | <b>38,721,276</b>   | <b>(23,892,195)</b> | <b>(1,021,844)</b>    | <b>16,928,140</b>                      | <b>559,047,147</b>       |
| <b>Total Net Capital Assets</b>  | <b>\$ 866,938,341</b>   | <b>\$ -</b>         | <b>\$ 3,655,993</b> | <b>\$ (1,973,055)</b> | <b>\$ 26,364,076</b>                   | <b>\$ 894,985,355</b>    |

\*As a result of the dissolution of the former Redevelopment Agency, capital assets of the Successor Agency were transferred to the City after review by the Oversight Board and approval of the California Department of Finance. See Note 13 for additional information on the Successor Agency.

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

| Governmental Activities: |                      |
|--------------------------|----------------------|
| General government       | \$ 344,641           |
| Public safety            | 1,172,658            |
| Community development    | 135,831              |
| Community and cultural   | 1,998,740            |
| Public works             | 23,132,589           |
| Internal service funds   | 915,603              |
| <b>Total</b>             | <b>\$ 27,700,062</b> |

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

**Note 5: Capital Assets (Continued)**

The following is a schedule of changes in business-type activities capital assets for the year ended June 30, 2014:

|  | Balance<br>July 1, 2013 | Transfers       | Additions         | Deletions   | Balance<br>June 30, 2014 |
|--|-------------------------|-----------------|-------------------|-------------|--------------------------|
| <b>Non-Depreciable Assets:</b>                                       |                         |                 |                   |             |                          |
| Land   | \$ 1,237,459            | \$ -            | \$ -              | \$ -        | \$ 1,237,459             |
| Construction In Progress   | 161,713                 | (78,187)        | 1,016,060         | -           | 1,099,586                |
| <b>Total Non-Depreciable Assets</b>                                  | <b>1,399,172</b>        | <b>(78,187)</b> | <b>1,016,060</b>  | <b>-</b>    | <b>2,337,045</b>         |
| <b>Depreciable Assets:</b>   |                         |                 |                   |             |                          |
| Infrastructure   | 39,381,574              | 78,187          | 378,725           | -           | 39,838,486               |
| <b>Total Depreciable Assets</b>                                      | <b>39,381,574</b>       | <b>78,187</b>   | <b>378,725</b>    | <b>-</b>    | <b>39,838,486</b>        |
| <b>Less Accumulated Depreciation:</b>                                |                         |                 |                   |             |                          |
| Infrastructure   | (5,362,442)             | -               | (852,984)         | -           | (6,215,426)              |
| <b>Total Accumulated Depreciation</b>                                | <b>(5,362,442)</b>      | <b>-</b>        | <b>(852,984)</b>  | <b>-</b>    | <b>(6,215,426)</b>       |
| <b>Total Depreciable Assets,<br/>Net of Accumulated Depreciation</b> | <b>34,019,132</b>       | <b>78,187</b>   | <b>(474,259)</b>  | <b>-</b>    | <b>33,623,060</b>        |
| <b>Total Net Capital Assets</b>                                      | <b>\$ 35,418,304</b>    | <b>\$ -</b>     | <b>\$ 541,801</b> | <b>\$ -</b> | <b>\$ 35,960,105</b>     |

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

Electric Utility                                    \$ 852,984

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

#### **Note 6: Long Term Debt**

##### **a. Changes in Long-Term Debt - Governmental Activities**

The following is a schedule of changes in governmental activities long-term debt for the year ended June 30, 2014:

|  | Balance<br>July 1, 2013 | Additions            | Deletions              | Balance<br>June 30, 2014 | Due Within<br>One Year |
|--|-------------------------|----------------------|------------------------|--------------------------|------------------------|
| Towngate Community Facilities District No. 87-1:     |                         |                      |                        |                          |                        |
| 2007 Towngate Special Tax Refunding Bonds            | \$ 7,525,000            | \$ -                 | \$ (700,000)           | \$ 6,825,000             | \$ 730,000             |
| 2007 Towngate Improvement Tax Refunding              | 3,055,000               | - -                  | (220,000)              | 2,835,000                | 230,000                |
| Community Facilities District No. 3:                 |                         |                      |                        |                          |                        |
| Auto Mall Special Tax Bonds                          | 105,000                 | - -                  | (105,000)              | -                        | -                      |
| Moreno Valley Public Facilities Financing:           |                         |                      |                        |                          |                        |
| 2011 Private Placement Refunding, Series 1997        |                         |                      |                        |                          |                        |
| Variable Rate Certificates of Participation          | 2,972,000               | - -                  | (710,500)              | 2,261,500                | 732,000                |
| Moreno Valley Public Facilities Financing Authority: |                         |                      |                        |                          |                        |
| Lease Revenue Bonds, 2005                            | 37,855,000              | - -                  | (11,915,000)           | 25,940,000               | -                      |
| 2011 Private Placement Refunding, Series 1997        |                         |                      |                        |                          |                        |
| Variable Rate Certificates of Participation          | 2,789,000               | - -                  | (234,000)              | 2,555,000                | 241,000                |
| 2013 Refunding of 2005 Lease Revenue Bonds           | - -                     | 10,454,230           | -                      | 10,454,230               | 623,230                |
| Unamortized Issue Premium                            | - -                     | 1,040,115            | (104,012)              | 936,103                  | -                      |
| City:  |                         |                      |                        |                          |                        |
| 2013 Total Road Improvement Program COPs             | - -                     | 20,000,000           | - -                    | 20,000,000               | -                      |
| Unamortized Issue Discount                           | - -                     | (134,949)            | 5,396                  | (129,553)                | -                      |
| OPEB Liability                                       | 900,000                 | 447,000              | - -                    | 1,347,000                | -                      |
| Accrued Self-Insurance Claims and Judgments          | 2,108,000               | 123,000              | (137,000)              | 2,094,000                | 708,000                |
| Compensated Absences:                                |                         |                      |                        |                          |                        |
| Governmental Funds                                   | 5,679,304               | 2,534,179            | (2,502,572)            | 5,710,911                | 3,426,547              |
| Internal Service Funds                               | 653,782                 | 307,238              | (193,180)              | 767,840                  | 460,704                |
| <b>Totals</b>  | <b>\$ 63,642,086</b>    | <b>\$ 34,770,813</b> | <b>\$ (16,815,868)</b> | <b>\$ 81,597,031</b>     | <b>\$ 7,151,481</b>    |

#### **2007 Towngate Special Tax Refunding Bonds**

Towngate CFD 87-1 2007 Special Tax Refunding Bonds in the original issue of \$10,665,000 were issued in November 2007, to refund prior bonds currently outstanding, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial fashion through December 1, 2021 and bear interest ranging from 3.50% to 5.00%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on December 1, 2017. The bonds are payable from and secured by a special tax levy against certain affected parcels within the District. Under an arrangement (Participation Agreement) involving the District, the City and the Successor Agency of the former RDA, the required tax levy may be reduced in part by the reimbursable tax increment and utility reimbursements from the Agency.

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

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

The annual debt service requirements for the 2007 Towngate Special Tax Refunding Bonds payable outstanding at June 30, 2014, are as follows:

| 2007 Towngate Special Tax<br>Refunding Bonds |                     |                     |
|--|---------------------|---------------------|
| Year Ending<br>June 30,                      | Principal           | Interest            |
| 2015   | \$ 730,000          | \$ 283,181          |
| 2016   | 760,000             | 253,381             |
| 2017   | 790,000             | 218,431             |
| 2018   | 830,000             | 177,931             |
| 2019   | 870,000             | 136,106             |
| 2020-2024                                    | <u>2,845,000</u>    | <u>176,778</u>      |
| Totals                                       | <u>\$ 6,825,000</u> | <u>\$ 1,245,808</u> |

#### **2007 Towngate Improvement Tax Refunding Bonds**

CFD 87-1 Improvement Area No. 1 Special Tax Refunding Bonds in the original issue of \$4,075,000 were issued in November 2007, to refund prior bonds currently outstanding, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial fashion through October 1, 2023 and bear interest ranging from 3.75% to 4.875%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on April 1, 2009. The bonds are payable from and secured by a special tax levy against certain affected parcels within the District. Under an arrangement (a Cooperation and Reimbursement Agreement) involving the District, the City and the Successor Agency of the former RDA, the required tax levy may be reduced in part by a reimbursable tax increment from the Agency to a maximum of 70.3% of required debt service.

The annual debt service requirements for the 2007 Towngate Improvement Tax Refunding Bonds payable outstanding at June 30, 2014, are as follows:

| 2007 Towngate Improvement<br>Tax Refunding Bonds |                     |                   |
|--|---------------------|-------------------|
| Year Ending<br>June 30,                          | Principal           | Interest          |
| 2015   | \$ 230,000          | \$ 125,669        |
| 2016   | 240,000             | 115,739           |
| 2017   | 250,000             | 105,170           |
| 2018   | 260,000             | 93,851            |
| 2019   | 275,000             | 81,676            |
| 2020-2024  | <u>1,580,000</u>    | <u>196,496</u>    |
| Totals   | <u>\$ 2,835,000</u> | <u>\$ 718,601</u> |

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

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

##### **Auto Mall Special Tax Bonds**

Community Facilities District No. 3, Auto Mall Special Tax Bonds 2000, Refinancing in March 2000, the Community Facilities District No. 3 of the City of Moreno Valley issued Special Tax Bonds 2000 (Refinancing Bonds) in the amount of \$8,075,000 to refund on June 1, 2000 \$7,828,258 of outstanding Auto Mall Special Tax Bonds (Refunded Bonds). The Refinancing Bonds mature in serial and term fashion through September 2030 and bear interest payable semi-annually at rates ranging from 5.25% to 7.50%. The bonds are subject to optional and mandatory redemption prior to maturity beginning September 1, 2010. The bonds are payable from and secured by a special tax levy against parcels within the District. Under an arrangement (Owner Participation Agreement) involving the parcel owners, the District, the City and the Successor Agency of the former RDA, the required tax levy is to be offset by available property tax increment from the Agency. Should available increment be insufficient to offset the levy, available project sales tax collected by the City will be used. At of June 30, 2014, these bonds have been paid off.

##### **2011 Private Placement Refunding, 1997 Certificates of Participation**

The 2011 Private Placement Refunding of the 1997 Certificates of Participation mature in serial fashion through November 1, 2016 and bear interest of 2.92%. The original amount of the issue was \$4,343,500. The bonds are payable from lease payments made by the City under a project lease dated November 1, 1997, between the City and the Moreno Valley Public Facilities Financing Corporation. The lease payments are equal to the principal and interest on the bonds and are made by the City for the rental use of the public safety building financed by the original 1997 Certificates of Participations issue. This issue is fully insured in the event of nonpayment by the City. The refinancing decreased aggregate debt service payments that were required by approximately \$65,630 and resulted in an economic gain of approximately \$25,174.

The annual debt service requirements for the 2011 Private Placement Refunding, 1997 Certificates of Participation payable outstanding at June 30, 2014, are as follows:

| 2011 Private Placement<br>Refunding, 1997 Certificates of<br>Participation |                     |                   |  |
|--|---------------------|-------------------|--|
| Year Ending<br>June 30,  | Principal           | Interest          |  |
| 2015   | \$ 732,000          | \$ 55,349         |  |
| 2016   | 753,500             | 33,660            |  |
| 2017   | 776,000             | 11,330            |  |
| Totals   | <u>\$ 2,261,500</u> | <u>\$ 100,339</u> |  |

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

#### Note 6: Long Term Debt (Continued)

##### **2011 Private Placement Refunding, 1997 Lease Revenue Bonds**

The 2011 Private Placement Refunding bonds mature in serial and term fashion through November 1, 2022 and bear interest ranging from 5.2% to 5.5%. The original amount of the issue was \$3,272,000. The bonds are payable from lease payments made by the City under a project lease dated November 1, 1997 between the City and the MVPFA. The lease payments are equal to the principal and interest on the bonds and are made by the City for the rental use of the public safety building financed by the original 1997 Lease Revenue bonds issue. This issue is fully insured in the event of nonpayment by the City.

The annual debt service requirements for the 2011 Private Placement Refunding, 1997 Lease Revenue Bonds payable outstanding at June 30, 2014, are as follows:

| Year Ending<br>June 30, | 2011 Private Placement<br>Refunding, 1997 Lease<br>Revenue Bonds |                   |
|-------------------------|--|-------------------|
|                         | Principal  | Interest          |
| 2015                    | \$ 241,000   | \$ 96,893         |
| 2016                    | 252,000  | 87,082            |
| 2017                    | 262,000  | 76,854            |
| 2018                    | 273,000  | 66,207            |
| 2019                    | 282,000  | 55,163            |
| 2020-2024               | <u>1,245,000</u>   | <u>101,749</u>    |
| Totals                  | <u>\$ 2,555,000</u>  | <u>\$ 483,948</u> |

##### **Lease Revenue Bonds, 2005**

Lease Revenue Bonds 2005 in the original issue amount of \$48,205,000 were issued for the purpose of financing a portion of the cost of the expansion of the public safety building, electric utility infrastructure, construction of a fire station, various public works and redevelopment projects, to fund a reserve for the bonds and to pay issuance costs. Of the \$48,205,000 originally issued, the portion for the electric utility infrastructure (\$5,105,000) has been separated and is shown as long-term debt of the Electric Fund business-type activities. The bonds mature in serial and term fashion through November 1, 2035 and bear interest ranging from 3% to 4.375%. The bonds are subject to both optional and mandatory redemption beginning November 1, 2006. The bonds are payable from lease payments made by the City under a project lease dated May 1, 1997, between the City and the MVPFA. The lease payments are equal to the principal and interest on the bonds and are made by the City as rent for use of the Public Safety Building and the City Hall. This issue is fully insured in the event of nonpayment by the City.

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

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

The annual debt service requirements for the Lease Revenue Bonds, 2005 payable outstanding at June 30, 2014, are as follows:

| Year Ending<br>June 30, | 2005 Lease Revenue Bonds |                      |
|-------------------------|--------------------------|----------------------|
|                         | Principal                | Interest             |
| 2015                    | \$ -                     | \$ 1,145,336         |
| 2016                    | -                        | 1,145,336            |
| 2017                    | -                        | 1,145,336            |
| 2018                    | -                        | 1,145,336            |
| 2019                    | -                        | 1,145,336            |
| 2020-2024               | 1,520,000                | 5,693,170            |
| 2025-2029               | 8,650,000                | 4,475,600            |
| 2030-2034               | 10,770,000               | 2,313,418            |
| 2035-2039               | 5,000,000                | 221,156              |
| <b>Totals</b>           | <b>\$ 25,940,000</b>     | <b>\$ 18,430,024</b> |

**2013 Refunding Lease Revenue Bonds**

Refunding Lease Revenue Bonds 2013 in the original issue amount of \$11,695,000 were issued for the purpose of paying off a portion of the 2005 Lease Revenue Bonds and certain costs related to the issuance of the Bonds. Of the \$11,695,000 originally issued, the portion for the electric utility infrastructure (\$1,240,770) has been separated and is shown as long-term debt of the Electric Fund business-type activities. The bonds mature in serial fashion through November 1, 2032 and bear interest ranging from 3% to 5.00%. The bonds are not subject optional redemption but are subject to mandatory redemption beginning November 1, 2014. The bonds are payable from lease payments made by the City under a project lease dated May 1, 1997, between the City and the MVPFA. The lease payments are equal to the principal and interest on the bonds and are made by the City as rent for use of the Public Safety Building and the City Hall. This issue is fully insured in the event of nonpayment by the City.

The annual debt service requirements for the 2013 Refunding Lease Revenue Bonds, payable outstanding at June 30, 2014, are as follows:

| Year Ending<br>June 30, | 2013 Refunding Lease Revenue<br>Bonds |                     |
|-------------------------|---------------------------------------|---------------------|
|                         | Principal                             | Interest            |
| 2015                    | \$ 623,230                            | \$ 489,542          |
| 2016                    | 1,033,000                             | 549,641             |
| 2017                    | 1,085,000                             | 411,946             |
| 2018                    | 1,132,000                             | 649                 |
| 2019                    | 1,183,000                             | 298,898             |
| 2020-2024               | 5,398,000                             | 554,985             |
| <b>Totals</b>           | <b>\$ 10,454,230</b>                  | <b>\$ 2,305,661</b> |

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

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

**2013 Total Road Improvement Program COPs**

On August 15, 2013, the City entered into an Installment Sale Agreement with California Communities. The 2013 Total Road Improvement Program Certificates of Participation mature in serial and term fashion through June 1, 2039 and bear interest ranging from 4.000% to 5.125%, commencing on December 1, 2013. The original amount of the issue was \$20,000,000.

The annual debt service requirements for the 2013 Total Road Improvement Program COPs payable outstanding at June 30, 2014, are as follows:

| Year Ending<br>June 30, | 2013 Total Road Improvement<br>Program COPs |                      |
|-------------------------|---|----------------------|
|                         | Principal                                   | Interest             |
| 2015                    | \$ -  | \$ 991,313           |
| 2016                    | -   | 991,313              |
| 2017                    | 490,000                                     | 991,313              |
| 2018                    | 515,000                                     | 966,813              |
| 2019                    | 540,000                                     | 941,063              |
| 2020-2024               | 3,145,000                                   | 4,276,913            |
| 2025-2029               | 3,915,000                                   | 3,503,688            |
| 2030-2034               | 4,985,000                                   | 2,433,506            |
| 2035-2039               | 6,410,000                                   | 1,018,850            |
| Totals                  | <u>\$ 20,000,000</u>                        | <u>\$ 16,114,772</u> |

**Compensated Absences**

At June 30, 2014, the amount of compensated absences liability was \$6,478,751 This amount consists of \$5,710,911 for governmental funds, principally paid by the General Fund, and \$767,840 for internal service funds.

**b. Changes in Long-Term Debt - Business-Type Activities**

The following is a schedule of changes in business-type activities long-term debt for the year ended June 30, 2014:

|   | Balance<br>July 1, 2013    | Additions            | Deletions               | Balance<br>June 30, 2014 | Due Within<br>One Year |
|---|----------------------------|----------------------|-------------------------|--------------------------|------------------------|
| Lease Revenue Bonds, 2005<br>Less Unamortized Discount          | \$ 4,595,000<br>- (26,539) | \$ -<br>(26,539)     | \$ (1,450,000)<br>2,654 | \$ 3,145,000<br>(23,885) | \$ -<br>-              |
| Lease Revenue Bonds, 2007<br>Less Unamortized Discount          | 24,090,000<br>(262,681)    | -<br>-               | (475,000)<br>10,945     | 23,615,000<br>(251,736)  | 495,000<br>-           |
| Refunding Lease Revenue Bonds, 2013<br>Plus Unamortized Premium | -<br>- (126,064)           | 1,240,770<br>126,064 | -<br>(12,606)           | 1,240,770<br>113,458     | 71,770<br>-            |
| Compensated Absences  | 103,758                    | 68,182               | (46,273)                | 125,667                  | 75,400                 |
| Totals  | <u>\$ 28,526,077</u>       | <u>\$ 1,408,477</u>  | <u>\$ (1,970,280)</u>   | <u>\$ 27,964,274</u>     | <u>\$ 642,170</u>      |

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

#### Note 6: Long Term Debt (Continued)

##### **Lease Revenue Bonds, 2005**

Lease Revenue Bonds 2005 in the original issue amount of \$48,205,000 were issued for the purpose of financing a portion of the cost of the expansion of the public safety building, electric utility infrastructure, construction of a fire station, various public works and redevelopment projects, to fund a reserve for the bonds and to pay issuance costs. Of the \$48,205,000 originally issued, the portion for the electric utility infrastructure (\$5,105,000) has been separated and is shown as long-term debt for business-type activities. The bonds mature in serial and term fashion through November 1, 2035 and bear interest ranging from 3% to 4.375%. The bonds are subject to both optional and mandatory redemption beginning November 1, 2006. The bonds are payable from lease payments made by the City under a project lease dated May 1, 1997, between the City and the MVPFA. The lease payments are equal to the principal and interest on the bonds and are made by the City as rent for use of the Public Safety Building and the City Hall. This issue is fully insured in the event of nonpayment by the City.

The annual debt service requirements for the Lease Revenue Bonds, 2005 payable outstanding at June 30, 2014, are as follows:

| Year Ending<br>June 30, | 2005 Lease Revenue Bonds |                     |  |
|-------------------------|--------------------------|---------------------|--|
|                         | Principal                | Interest            |  |
| 2015                    | \$ -                     | \$ 138,817          |  |
| 2016                    | -                        | 138,817             |  |
| 2017                    | -                        | 138,817             |  |
| 2018                    | -                        | 138,817             |  |
| 2019                    | -                        | 138,817             |  |
| 2020-2024               | 185,000                  | 690,083             |  |
| 2025-2029               | 1,050,000                | 531,543             |  |
| 2030-2034               | 1,305,000                | 280,041             |  |
| 2035-2039               | 605,000                  | 26,797              |  |
| Totals                  | <u>\$ 3,145,000</u>      | <u>\$ 2,222,549</u> |  |

##### **Lease Revenue Bonds, 2007**

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

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

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

The annual debt service requirements for the Lease Revenue Bonds, 2007 payable outstanding at June 30, 2014, are as follows:

| Year Ending June 30, | <u>Lease Revenue Bonds, 2007</u> |                      |
|----------------------|----------------------------------|----------------------|
|                      | Principal                        | Interest             |
| 2015                 | \$ 495,000                       | \$ 1,332,495         |
| 2016                 | 520,000                          | 1,307,329            |
| 2017                 | 550,000                          | 1,280,893            |
| 2018                 | 575,000                          | 1,252,931            |
| 2019                 | 610,000                          | 1,221,024            |
| 2020-2024            | 3,585,000                        | 5,559,375            |
| 2025-2029            | 4,700,000                        | 4,445,921            |
| 2030-2034            | 6,205,000                        | 2,943,425            |
| 2035-2039            | 6,375,000                        | 941,850              |
| Totals               | <u>\$ 23,615,000</u>             | <u>\$ 20,285,243</u> |

**2013 Refunding Lease Revenue Bonds**

Refunding Lease Revenue Bonds 2013 in the original issue amount of \$11,695,000 were issued for the purpose of paying off a portion of the 2005 Lease Revenue Bonds and certain costs related to the issuance of the Bonds. Of the \$11,695,000 originally issued, the portion for the electric utility infrastructure (\$1,240,770) has been separated and is shown as long-term debt for Electric Fund business-type activities. The bonds mature in serial fashion through November 1, 2032 and bear interest ranging from 3% to 5.00%. The bonds are not subject optional redemption but are subject to mandatory redemption beginning November 1, 2014. The bonds are payable from lease payments made by the City under a project lease dated May 1, 1997, between the City and the MVPFA. The lease payments are equal to the principal and interest on the bonds and are made by the City as rent for use of the Public Safety Building and the City Hall. This issue is fully insured in the event of nonpayment by the City.

The annual debt service requirements for the 2013 Refunding Lease Revenue Bonds, payable outstanding at June 30, 2014, are as follows:

| Year Ending<br>June 30, | <u>2013 Refunding Lease Revenue<br/>Bonds</u> |                   |
|-------------------------|---|-------------------|
|                         | Principal                                     | Interest          |
| 2015                    | \$ 71,770                                     | \$ 59,333         |
| 2016                    | 122,000                                       | 55,709            |
| 2017                    | 130,000                                       | 49,929            |
| 2018                    | 133,000                                       | 43,226            |
| 2019                    | 142,000                                       | 36,227            |
| 2020-2024               | <u>642,000</u>                                | <u>67,266</u>     |
| Totals                  | <u>\$ 1,240,770</u>                           | <u>\$ 311,690</u> |

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

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

##### **Compensated Absences**

At June 30, 2014, the amount of compensated absences liability totaled \$125,667. Based on the current trend of usage, \$75,400 is expected to be paid within one year.

##### **c. Conduit Debt**

The Moreno Valley Public Financing Authority issued \$5,548,000 Assisted Living Housing Revenue Bonds, Series 2000A. The bonds and interest thereon are limited obligations of the issuer, payable solely from the revenues and the trust estate, which are assigned and pledged to such purposes. Consequently, no liability is reported in these accompanying financial statements. The outstanding balance at June 30, 2014, was \$5,113,000.

##### **d. Non-Commitment Debt**

The Community Facilities District No. 5 of the City of Moreno Valley 2007 Special Tax Bonds were issued to finance various public improvements needed to develop property located within the Community Facilities District No. 5 ("District"). The original issue amount was \$5,870,000. The Bonds are special limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes to be levied on and collected from the owners of the taxable land within the District and from certain other funds pledged under the Fiscal Agent Agreement dated May 1, 2007 by and between the City for and on behalf of the District and Wells Fargo Bank, National Association, as fiscal agent. The Special Taxes are to be levied according to the rates and method of apportionment approved by the City Council, the legislative body of the District, and the qualified electors within the District. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The City is in no way liable for repayment but is acting as an agent for the property owners in collecting the assessments and forwarding the collections to bondholders. Interest on the Bonds will be payable on September 1, 2007 and semiannually thereafter on each March 1 and September 1 thru 2037. Interest rates range from 4.00% to 5.00%. Principal on the Bonds is due each September 1 beginning 2009 and ending 2037. The outstanding balance at June 30, 2014, was \$5,725,000.

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

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

| Due From Other Funds | Due To Other Funds |            |                                  |                             |
|----------------------|--------------------|------------|----------------------------------|-----------------------------|
|                      | CSD Zones          |            | Neighborhood Stabilization Grant | Nonmajor Governmental Funds |
|                      |                    |            |                                  | Total                       |
| General Fund         | \$ 5,634           | \$ 433,825 | \$ 2,368,033                     | \$ 2,807,492                |

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

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

The City of Moreno Valley utilizes the State of California Local Agency Investment Fund (LAIF) as a short-term investment tool. In June 2006, the General Fund LAIF account reached the LAIF threshold and as an alternative for investing, the remaining funds were loaned to the CSD Zones Fund. The amount of the loans outstanding at June 30, 2014, was \$5,634.

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

| Major Governmental Funds:         |    |                  |
|-----------------------------------|----|------------------|
| Neighborhood Stabilization Grant  | \$ | 433,825          |
| Nonmajor Governmental Funds:      |    |                  |
| Article 3 Transportation          |    | 138,420          |
| Law Enforcement                   |    | 203,454          |
| Other Grants                      |    | 34,694           |
| Stormwater Maintenance            |    | 189,211          |
| ASES Program Grants               |    | 481,357          |
| TUMF Capital Projects             |    | 33,007           |
| TRIP Capital Projects             |    | 1,280,654        |
| TRIP COP 13A Debt Fund            |    | 7,236            |
| Total Nonmajor Governmental Funds | \$ | <u>2,801,858</u> |

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

| Advances to Other Funds    | Advances from Other Funds |                          |              |
|----------------------------|---------------------------|--------------------------|--------------|
|                            | Development Impact Fees   | Electric Enterprise Fund | Total        |
| General Fund               | \$ 3,772,000              | \$ -                     | \$ 3,772,000 |
| Nonmajor Governmental Fund | 360,000                   | 580,657                  | 940,657      |
| Total                      | \$ 4,132,000              | \$ 580,657               | \$ 4,712,657 |

The General Fund and Nonmajor Governmental Funds loaned to the Development Impact Fees Fund \$4,132,000 to cover negative cash balances resulting from construction of facilities and purchases of land for future expansion. This loan is to be fully repaid by June 30, 2015.

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

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

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

##### **c. Interfund Transfers**

| Transfers Out               | Transfers In        |                     |                         |                             |                   |                        |                      | Total        |
|-----------------------------|---------------------|---------------------|-------------------------|-----------------------------|-------------------|------------------------|----------------------|--------------|
|                             | General Fund        | CSD Zones           | Development Impact Fees | Nonmajor Governmental Funds | Electric Fund     | Internal Service Funds |                      |              |
| General Fund                | \$ -                | \$ 1,924,735        | \$ -                    | \$ 650,638                  | \$ -              | \$ -                   | \$ -                 | \$ 2,575,373 |
| CSD Zones                   | 129,722             | -                   | -                       | -                           | -                 | -                      | -                    | 129,722      |
| Development Impact Fees     | -                   | -                   | -                       | 4,518,200                   | -                 | -                      | -                    | 4,518,200    |
| Nonmajor Governmental Funds | -                   | -                   | 1,484,426               | 20,499,615                  | 904,032           | -                      | -                    | 22,888,073   |
| Internal Service Funds      | 883,699             | -                   | -                       | 902,183                     | -                 | 2,325,628              | -                    | 4,111,510    |
| Total                       | <u>\$ 1,013,421</u> | <u>\$ 1,924,735</u> | <u>\$ 1,484,426</u>     | <u>\$ 26,570,636</u>        | <u>\$ 904,032</u> | <u>\$ 2,325,628</u>    | <u>\$ 34,222,878</u> |              |

The General Fund transferred a total of \$2,575,373 to several funds to provide subsidies to cover the operating deficits.

The Development Impact Fees Fund transferred a total of \$4,518,200 to nonmajor governmental funds for debt service payments and to provide support for several capital projects in the fiscal year.

#### **Note 8: Employee Pension Plan**

##### **Plan Description**

The City's defined benefit pension plan, Public Employees Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Headquarters, 400 Q Street, Sacramento, California 95811.

##### **Funding Policy**

Active plan members in PERS are required to contribute a percentage of their annual covered salary based on their hire date. The City pays the 8% required contribution for employees hired prior to July 1, 2009. Employees hired between July 1, 2009 and December 22, 2011, have a required employee contribution of 8%. Employees hired between December 23, 2011 and December 31, 2012 have a required contribution of 7% and the required contribution for all employees hired on or after January 1, 2013 is 6.25%. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate was 22.305% for fiscal year 2013-2014. The contribution requirements

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

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

of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

##### Annual Pension Cost

For fiscal year 2013-2014, the City's annual pension cost was \$4,267,872. The City also contributed \$1,608,343 on behalf of the employees for the employee contribution. The required contribution for the fiscal year 2013-2014 was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: a) 7.75% investment rate of return (net of administrative expenses), b) projected salary increases for employees that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members, and c) 3.25% cost-of-living adjustment. Both a) and b) include an inflation component of 2.75%. The actuarial value of assets was determined using a technique that smooths the effect of short-term volatility in the fair value of investments over a 15-year period. The PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 21 years.

| Year Ended<br>June 30, | Pension Cost<br>(APC) | Percentage of APC<br>Contributed | Pension<br>Obligation |
|------------------------|-----------------------|----------------------------------|-----------------------|
| 2012                   | \$ 5,402,864          | 100%                             | \$ -                  |
| 2013                   | 4,793,228             | 100%                             | -                     |
| 2014                   | 4,267,872             | 100%                             | -                     |

##### Required Supplementary Information – Funded Status of Plan Latest Information Available

| Valuation<br>Date | Entry Age Normal<br>Accrued Liability | Actuarial Value<br>of Assets | Unfunded<br>Liability | Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAAL as<br>Percent<br>of Payroll |
|-------------------|---------------------------------------|------------------------------|-----------------------|-----------------|------------------------------|----------------------------------|
| 06/30/11          | \$ 132,322,141                        | \$ 92,912,456                | \$ 39,409,685         | 70.2%           | \$ 24,148,281                | 163.2%                           |
| 06/30/12          | 140,092,781                           | 99,774,860                   | 40,317,921            | 71.2%           | 22,103,213                   | 182.4%                           |
| 06/30/13          | 150,104,023                           | 97,111,799                   | 52,992,224            | 64.7%           | 22,600,050                   | 234.5%                           |

The Funded Status of Plan schedule above shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The Funded Status of Plan schedule, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **Note 9: Other Post Employment Benefits (OPEB)**

##### Plan Description

The City's defined benefit postemployment healthcare plan provides a portion of certain health care for retired employees. In accordance with City policy, employees hired prior to September 30, 2011, who retire directly from the City under CalPERS (age 50 and 5 years of CalPERS service or disability) and are not temporary employees, are eligible for these benefits. In June 2009, the City established an irrevocable trust fund to begin funding the City's unfunded liability through the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

#### Note 9: Other Post Employment Benefits (OPEB) (Continued)

administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, are established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Headquarters, 400 Q Street, Sacramento, California 95811.

#### Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. The City is required to contribute the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The current ARC rate is 5.00% of the annual covered payroll.

#### Annual OPEB Cost

For fiscal year 2013-2014, the City's annual OPEB cost was \$1,066,000. The required contribution for the fiscal year was determined as part of the June 30, 2013 actuarial valuation using the entry age normal cost method. The actuarial assumptions included: a) 6.00% investment rate of return (net of administrative expenses), b) projected salary increases for employees of 3.25%, and c) an annual healthcare cost increase of 4.5%. Both a) and b) include an inflation component of 3.00%. The amortization method is the level percent of payroll. The amortization period is a 30 year fixed (closed) period for the initial unfunded accrued actuarial liability with 24 years remaining as of June 30, 2014.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

|  |                     |
|--|---------------------|
| Annual required contribution               | \$ 1,069,000        |
| Interest on OPEB obligation                | 54,000              |
| Adjustment to annual required contribution | (57,000)            |
| Annual OPEB cost (expense)                 | 1,066,000           |
| Contribution made                          | 619,000             |
| Increase in OPEB Obligation                | 447,000             |
| Net OPEB obligation - beginning of year    | 900,000             |
| Net OPEB obligation - end of the year      | <u>\$ 1,347,000</u> |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on the next page, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

#### **Note 9: Other Post Employment Benefits (OPEB) (Continued)**

##### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for last three fiscal years were as follows:

| Fiscal Year<br>Ending | Annual OPEB<br>Cost (AOC) | Percentage of<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-----------------------|---------------------------|---|------------------------|
| 06/30/12              | \$ 1,615,000              | 72%                                       | \$ 450,000             |
| 06/30/13              | 1,018,000                 | 56%                                       | 900,000                |
| 06/30/14              | 1,066,000                 | 58%                                       | 1,347,000              |

##### Required Supplementary Information – Funded Status of Plan Latest Information Available

| Valuation Date | Actuarial<br>Accrued<br>Liability | Actuarial<br>Value of<br>Assets | Unfunded<br>Liability | Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAAL as<br>Percent of<br>Payroll |
|----------------|-----------------------------------|---------------------------------|-----------------------|-----------------|------------------------------|----------------------------------|
| 01/01/10       | \$ 13,600,000                     | \$ 2,386,000                    | \$ 11,214,000         | 17.5%           | \$ 22,465,000                | 49.9%                            |
| 06/30/11       | 11,670,000                        | 4,428,000                       | 7,242,000             | 37.9%           | 23,195,000                   | 31.2%                            |
| 06/30/13       | 12,531,000                        | 6,186,000                       | 6,345,000             | 49.4%           | 21,589,000                   | 29.4%                            |

#### **Note 10: Fund Deficits**

The following funds contained a deficit fund balance as of June 30, 2014:

|                                     |           |
|-------------------------------------|-----------|
| <u>Major Governmental Funds:</u>    |           |
| Special Revenue Funds:              |           |
| Neighborhood Stabilization Grant    | \$ 87,778 |
| <u>Nonmajor Governmental Funds:</u> |           |
| Special Revenue Funds:              |           |
| Stormwater Maintenance              | 148,151   |
| Capital Projects Funds:             |           |
| TUMF Capital Projects               | 213,350   |

These deficit fund balances are the result of reimbursement monies not yet received and will be funded through future revenues.

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

**Note 11: Commitments and Contingencies**

**a. Community Facilities District No. 3 Agreement**

In conjunction with the issue of the Moreno Valley Auto Mall Special Tax Bonds Series 2000 (Auto Mall Refinancing), the Successor Agency of the former RDA and the City are parties to an owner-participation agreement which provides that the Agency will transmit to the Community Facilities District No. 3 (District) the available property tax increment it receives on parcels within the District as a credit against the special parcel taxes that otherwise would be payable by the owners. This agreement replaces a previous arrangement involving these parcels when they were included in Community Facilities District No. 2.

**b. Community Facilities District No. 87-1 Agreement**

In connection with the issuance of the Community Facilities District No. 87-1 (CFD) Towngate 2007 Special Tax Refunding Bonds, the former Community Redevelopment Agency entered into an owner participation agreement whereby the Agency has committed tax increment for the payment of debt service requirements for these Bonds.

**c. Other Agreements**

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

**d. Construction Commitments**

The following material construction commitments existed at June 30, 2014:

| Project Name                                     | Contract Amount | Expenditures to date as of June 30, 2014 | Remaining Commitments |
|--|-----------------|--|-----------------------|
| <u>Governmental Activities</u>                   |                 |  |                       |
| Annual Pavement Resurfacing Program              | \$ 4,058,320    | \$ -                                     | \$ 4,058,320          |
| Alessandro Blvd Median/Indian St. to Perris Blvd | 1,300,461       | 291,136                                  | 1,009,325             |
| Perris Blvd/Ironwood-Manzanita                   | 5,400,582       | -  | 5,400,582             |
| Nason St./Cactus Ave to Fir Ave.                 | 8,769,997       | -  | 8,769,997             |
| SR-60/Nason Overcrossing Bridge                  | 13,101,324      | 11,497,408                               | 1,603,916             |
| <u>Electric Utility</u>                          |                 |  |                       |
| MVU-0023 Moval 33KV S Industrial                 | 1,136,304       | 407,653                                  | 728,651               |

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

#### **Note 11: Commitments and Contingencies (Continued)**

##### **e. Litigation**

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

#### **Note 12: Self-Insurance**

The City is a member of CSAC Excess Insurance Authority. The Authority is a member directed joint powers insurance pool, which has been operational since October of 1979. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage.

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

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

##### *Self-Insurance Payable*

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The City established two self-insurance funds (Internal Service Funds) to account for and finance its uninsured risks of loss. Under this program, the self-insurance funds provide coverage for up to a maximum of \$300,000 for each workers' compensation claim and \$250,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. All funds of the City participate in the program and make payments to the self-insurance funds based on actuarial estimates of the amounts needed to pay prior and current year claims.

The fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year-end. The accruals are in the amounts of \$1,423,000 and \$671,000 for the workers' compensation claims and general liability claims, respectively, for a total of \$2,094,000. Of these amounts, the current year's adjustment is a decrease of \$14,000.

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

**Note 12: Self-Insurance (Continued)**

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

|  | General<br>Liability | Workers'<br>Compensation | Total               |
|--|----------------------|--------------------------|---------------------|
| Amount of accrued claims at June 30, 2012  | \$ 1,130,000         | \$ 1,766,000             | \$ 2,896,000        |
| Incurred claims, representing the total of a provision for events for the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years and adjustments to estimates. | 312,000              | 372,000                  | 684,000             |
| Payments on claims attributable to events of both the current fiscal year and prior fiscal years.  | (879,000)            | (593,000)                | (1,472,000)         |
| Amount of accrued claims at June 30, 2013  | <u>563,000</u>       | <u>1,545,000</u>         | <u>2,108,000</u>    |
| Incurred claims, representing the total of a provision for events for the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years and adjustments to estimates. | 321,000              | 387,000                  | 708,000             |
| Payments on claims attributable to events of both the current fiscal year and prior fiscal years.  | (213,000)            | (509,000)                | (722,000)           |
| Amount of accrued claims at June 30, 2014  | <u>\$ 671,000</u>    | <u>\$ 1,423,000</u>      | <u>\$ 2,094,000</u> |

**Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Moreno Valley that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-04.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

#### **Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directed the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private purpose trust fund) in the financial statements of the City.

On March 6, 2014, the Department of Finance approved the Long-Range Property Management Plan submitted by the City and all capital assets have been moved from the Successor Agency to the City as of June 30, 2014, which will result in an extraordinary gain/(loss) on dissolution of the redevelopment agency in the amount of \$26,364,076.

#### **a. Cash and Investments**

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

|  |                            |
|--|----------------------------|
| Cash and investments                   | \$ 3,527,892               |
| Cash and investments with fiscal agent | <u>2</u>                   |
|  | <u><u>\$ 3,527,894</u></u> |

The Successor Agency's cash and investments are pooled with the City's cash and investment in order to generate optimum interest income. The share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e. credit, interest rate, custodial, etc.) and other disclosures associated with the City's pooled cash and investments is reported in Note 3.

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

**Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

**b. Capital Assets**

Capital assets as of June 30, 2014, are as follows:

|                                       | Balance<br>July 1, 2013 | Additions           | Deletions   | Transfers To<br>City*  | Balance<br>June 30, 2014 |
|---------------------------------------|-------------------------|---------------------|-------------|------------------------|--------------------------|
| <b>Non-Depreciable Assets:</b>        |                         |                     |             |                        |                          |
| Land                                  | \$ 9,435,936            | \$ -                | \$ -        | \$ (9,435,936)         | \$ -                     |
| <b>Total Non-Depreciable Assets</b>   | <b>9,435,936</b>        | <b>-</b>            | <b>-</b>    | <b>(9,435,936)</b>     | <b>-</b>                 |
| <b>Depreciable Assets:</b>            |                         |                     |             |                        |                          |
| Buildings and improvements            | 12,191,837              | -                   | -           | (12,191,837)           | -                        |
| Furniture and Equipment               | 352,837                 | -                   | -           | (352,837)              | -                        |
| Infrastructure                        | 9,933,800               | -                   | -           | (9,933,800)            | -                        |
| <b>Total Depreciable Assets</b>       | <b>22,478,474</b>       | <b>-</b>            | <b>-</b>    | <b>(22,478,474)</b>    | <b>-</b>                 |
| <b>Less Accumulated Depreciation:</b> |                         |                     |             |                        |                          |
| Buildings and improvements            | (3,643,781)             | (474,892)           | -           | 4,118,673              | -                        |
| Furniture and Equipment               | (352,837)               | -                   | -           | 352,837                | -                        |
| Infrastructure                        | (562,520)               | (516,304)           | -           | 1,078,824              | -                        |
| <b>Total Accumulated Depreciation</b> | <b>(4,559,138)</b>      | <b>(991,196)</b>    | <b>-</b>    | <b>5,550,334</b>       | <b>-</b>                 |
| <b>Total Depreciable Assets</b>       | <b>17,919,336</b>       | <b>(991,196)</b>    | <b>-</b>    | <b>(16,928,140)</b>    | <b>-</b>                 |
| <b>Total Net Capital Assets</b>       | <b>\$ 27,355,272</b>    | <b>\$ (991,196)</b> | <b>\$ -</b> | <b>\$ (26,364,076)</b> | <b>\$ -</b>              |

\* As a result of the dissolution of the former Redevelopment Agency, capital assets of the Successor Agency were transferred to the City after review by the Oversight Board and approval of the California Department of Finance.

**c. Long-Term Debt**

A description of long-term debt outstanding of the Successor Agency as of June 30, 2014, follows:

|                              | Balance<br>July 1, 2013 | Additions         | Repayments          | Balance<br>June 30, 2014 | Due Within<br>One Year |
|------------------------------|-------------------------|-------------------|---------------------|--------------------------|------------------------|
| <b>Fiduciary Activities</b>  |                         |                   |                     |                          |                        |
| City Loans - Principal       | \$ 13,652,248           | \$ -              | \$ -                | \$ 13,652,248            | \$ -                   |
| City Loans - Interest        | 3,071,326               | 365,987           | (91,058)            | 3,346,255                | -                      |
| Notes Payable, Price Company | 1,096,434               | -                 | (437,801)           | 658,633                  | -                      |
| 2007 TABs, Series A          | 42,045,000              | -                 | (230,000)           | 41,815,000               | 230,000                |
| <b>Totals</b>                | <b>\$ 59,865,008</b>    | <b>\$ 365,987</b> | <b>\$ (758,859)</b> | <b>\$ 59,472,136</b>     | <b>\$ 230,000</b>      |

## **City of Moreno Valley**

### **Notes to Financial Statements Year Ended June 30, 2014 (Continued)**

#### **Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

##### **Loans Payable to the City of Moreno Valley**

The Towngate Regional Mall notes (Sears Note), totaling \$13,000,000, originated from a participation agreement (as amended) whereby the Agency acquired certain parcels within the mall for subsequent transfer to major tenants. The notes bear interest of 7.25% and are payable solely from available site-generated property tax increment and up to 50% of site-generated sales tax. Furthermore, the Agency had covenanted to use reasonable best efforts to refinance these notes with Tax Allocation Bonds, provided such financing is determined to be fiscally feasible. During 2003-2004, the City purchased the rights to the notes from the holder. In a letter dated May 26, 2012, the California Department of Finance approved this loan as an enforceable obligation. At June 30, 2014, the outstanding principal and accrued interest balances are \$13,000,000 and \$3,331,838 respectively.

The Successor Agency owes the City a total of \$652,248 for funds borrowed to finance redevelopment activities. \$518,520 represents monies borrowed during 2006-2007 by the Agency. \$133,728 represents monies borrowed during 2007-2008 by the Agency. The interest rate on the borrowings is 12% and repayment of the long-term payable is made when funds become available. In a letter dated May 16, 2014, the California Department of Finance recalculated the accumulated interest to the LAIF rate. At June 30, 2014, the outstanding principal and accrued interest balances are \$652,248 and \$14,417.

##### **Note Payable - Price Company**

The former Redevelopment Agency had recorded a long-term payable in the original amount of \$2,433,744 under a development and disposition agreement and promissory note with Price Company for the reimbursement of costs of construction of a 130,000-square-foot retail store. The note bears interest at 8% per annum and is payable from property tax equal to 50% of site-generated sales tax. Any remainder payable after May 2015 will be forgiven. The amount outstanding as of June 30, 2014, was \$658,633.

##### **2007 Tax Allocation Bonds Series A**

The former Redevelopment Agency 2007 Tax Allocation Bonds, Series A, in the original issue amount of \$43,495,000 were issued in November 2007 for the purpose of financing various redevelopment activities and other undertakings permitted under the Redevelopment Law, to fund a reserve for the bonds and to pay issuance costs. The bonds mature in serial and term fashion through August 1, 2038 and bear interest ranging from 3.5% to 5.0%. The bonds are subject to both optional and mandatory redemption prior to maturity beginning on August 1, 2017. The bonds are payable solely from Tax Increment Revenues and other funds and amounts pledged therefore pursuant to the Indenture. This issue is fully insured in the event of nonpayment by the Agency.

## City of Moreno Valley

### Notes to Financial Statements Year Ended June 30, 2014 (Continued)

#### **Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

The annual debt service requirements for the 2007 Tax Allocation Bonds Series A payable outstanding at June 30, 2014, are as follows:

| Year Ending<br>June 30, | 2007 Tax Allocation Bonds<br>Series A |                      |
|-------------------------|---------------------------------------|----------------------|
|                         | Principal                             | Interest             |
| 2015                    | \$ 230,000                            | \$ 2,017,259         |
| 2016                    | 235,000                               | 2,009,121            |
| 2017                    | 245,000                               | 2,000,109            |
| 2018                    | 250,000                               | 1,990,209            |
| 2019                    | 260,000                               | 1,980,009            |
| 2020-2024               | 3,510,000                             | 9,641,116            |
| 2025-2029               | 9,185,000                             | 8,101,816            |
| 2030-2034               | 12,085,000                            | 5,547,125            |
| 2035-2049               | 15,815,000                            | 2,054,375            |
| <b>Totals</b>           | <b>\$ 41,815,000</b>                  | <b>\$ 35,341,139</b> |

#### **Pledged Revenue**

The former Redevelopment Agency pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill X1 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$77,156,139 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$6,305,087 and the debt service obligation on the bonds was \$2,255,884.

#### **d. Insurance**

The Successor Agency is covered under the City of Moreno Valley's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 12.

**City of Moreno Valley**

**Notes to Financial Statements  
Year Ended June 30, 2014 (Continued)**

**Note 13: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

**e. Commitments and Contingencies**

*Litigation*

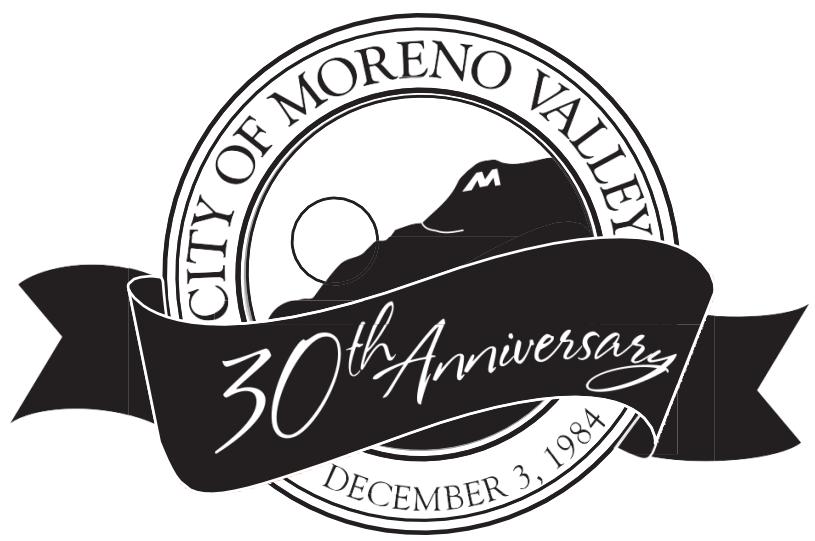
At June 30, 2014, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

*Borrowings from the City of Moreno Valley*

In accordance with AB X1 26 which dissolves redevelopment agencies, Section 34171(d)(2) states, in relation to borrowings between the City and the Agency, that "for purposes of this part, enforceable obligation does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency. However, written agreements entered into (A) at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and (B) solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations for the purposes of this part. Notwithstanding this paragraph, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created it, within two years of the date of creation of the redevelopment agency, may be deemed to be enforceable obligations". As a result of the dissolution of the former redevelopment agency, loans between the City and former redevelopment agency totaling \$18,759,570 have been removed from these statements. The City and Agency believe these are to be upheld as viable enforceable obligations and have been included on the Recognized Obligation Payment Schedule (ROPS) from the Successor Agency, however they have been denied by the Department of Finance at this time. Upon receiving a Finding of Completion from the Department of Finance, Health and Safety Code Section 34191.4(b) may cause these items to be enforceable in future periods; however the result is not determinable at this time.

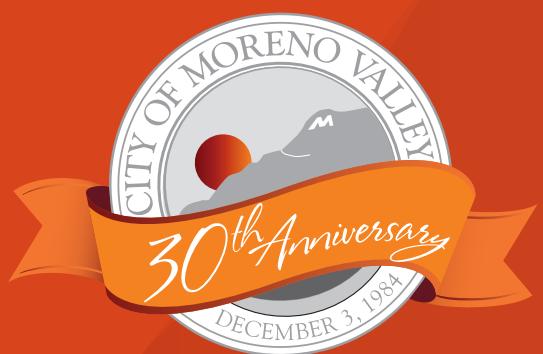
**Note 14: Fund Balances and Net Position Restatements**

Beginning fund balances in Measure A fund and Public Work Capital Projects fund were restated by \$577,977 and \$2,424,819 respectively to recognize prior year grants revenue. As a result, net position was restated by \$3,002,796.



Non-Major Governmental Funds

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year  
Ended June 30, 2014

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS:**

#### **State Gas Tax Fund**

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

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

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

#### **Measure A Fund**

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

#### **Law Enforcement Grants Fund**

This fund is used to account for revenue from several grants restricted for law enforcement. The grants include the Supplemental Law Enforcement Services Fund (SLESF), Office of Traffic Safety Grant (OTS), Edward Byrne Memorial Justice Assistance Grant (JAG).

#### **Other Grants Fund**

This fund is used to account for revenues and expenditures received from various governmental agencies and other sources for multiple purposes including energy efficiency, and public safety.

#### **Public Education Government Access Fund**

This fund is used to account for revenues and expenditures received in support of the City's cable television channel, MVTV-3. This fund also includes activity related to public education and government programming and equipment.

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

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

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

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

## **NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

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

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

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

#### **Storm Water Management Fund**

This fund is used to account for the city-wide storm water and non-storm water pollution prevention compliance work conducted and programs prepared to comply with regulations set forth by the current National Pollutant Discharge Elimination System (NPDES).

#### **HOME Fund**

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

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

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

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

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

#### **Storm Water Maintenance Fund**

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

#### **ASES Program Grants Fund**

This fund is used to account for the ASES program grants which provide after school education, after school safety and a food program that helps providers serve nutritious and safely prepared meals and snacks to children and adults in a day care setting.

#### **CFD #4M Fund**

This fund is used to account for the maintenance and administration costs of the detention basin within Centerpointe Business Park.

## **NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

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

#### **Prop 42 Replacement Fund**

This fund is used to account for the City's share of Prop 42 revenue restricted for transportation programs.

#### **Civil Penalties Fund**

This fund is used to account for all financial transactions involving civil penalties received by the City in accordance with the provisions of SB 1137, which requires legal owners of vacant properties to maintain and care for them.

#### **Emergency Services Agency Fines Fund**

This fund is used to account for the financial transactions involving AMR fines received by the City, which are to be used only to fund the purchase of various equipment needed by the Fire Department.

#### **Energy Efficiency Revolving Fund**

This fund is used to account for cost-effective energy efficiency programs and projects with the use of utility rebates and incentives.

### **CAPITAL PROJECTS FUNDS:**

#### **Facility Construction Fund**

This fund is used to account for City facility related capital projects.

#### **Public Works Capital Projects Fund**

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

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

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

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

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

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

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

## **NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

### **CAPITAL PROJECTS FUNDS (CONTINUED):**

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

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

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

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

#### **Parks and Community Services Development and Projects Fund**

This fund is used to account for parks acquisition and development projects funded by revenues received from developers on a dwelling unit basis in accordance with the Quimby Act, a 1965 provision in the State Subdivision Map Act for the dedication of park land. This fund is used to account for general parks and recreation capital projects, the development of new parks and recreation facilities, community parks, neighborhood parks and sports facilities and for the major renovation of existing parks and facilities.

#### **TUMF Capital Projects Fund**

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

#### **DIF Capital Projects Fund**

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

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

This fund is used to account for the construction of capital improvements funded by the 2005 Lease Revenue Bonds issued in July 2005.

#### **2007 Tax Allocation Bonds Capital Projects Fund**

This fund is used to account for the construction of capital improvements funded by the 2007 Tax Allocation Bonds issued in November 2007.

#### **TRIP Capital Projects Fund**

This fund is used to account for the construction of capital improvements funded by the 2013 TRIP Certificates of Participation issued in August 2013.

## **NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

### **DEBT SERVICE FUNDS:**

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

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

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

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

#### **2007 Towngate Improvement Refunding Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the Improvement Area No. 1 Special Tax Refunding Bonds issued November 29, 2007.

#### **2007 Towngate Refunding Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of principal, interest, and trustee and administrative costs related to the Special Tax Refunding Bonds issued November 29, 2007.

#### **2011 Priv Place Ref 97 Lease Rev Bonds**

This fund is used to account for the accumulation of resources and for the payment of the refinancing of the 1997 Lease Revenue Bonds.

#### **2011 Priv Place Ref 97 Various COPs**

This fund is used to account for the accumulation of resources and for the payment of the refinancing of the 1997 Certificates of Participation.

#### **TRIP COP 13A Debt Service Fund**

This fund is used to account for the accumulation of resources and for the payment of the 2013 TRIP Certificates of Participation issued in August 2013.

#### **2013 Refunding 2005 Lease Revenue Bonds**

This fund is used to account for the accumulation of resources and for the payment of the refinancing of the 2005 Lease Revenue Bonds.

## **NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

### **PERMANENT FUNDS:**

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

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

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

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

#### **Rockridge Park Endowment Fund**

This fund is used to account for the endowment program provided for Rockridge Park. The principal endowment was provided by a developer. The interest earned will be used for the benefit of the facilities at Rockridge Park.

#### **NPDES Endowment Fund**

This fund is used to account for the endowment program provided for by National Pollutant Discharge Elimination System (NPDES). The principal endowment was provided by a property owner. The interest earned will be used for the benefit of the NPDES program.

#### **Cultural Preservation Fund**

This fund is used to account for funds held and managed for the purposes of securing a museum location or renovating a building for use as a museum. The interest earned will be used for the benefit of museum facility acquisition.



**City of Moreno Valley**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

| Special Revenue Funds  |                               |                                     |                     |                            |  |
|--|-------------------------------|-------------------------------------|---------------------|----------------------------|--|
|  | <b>State<br/>Gasoline Tax</b> | <b>Article 3<br/>Transportation</b> | <b>Measure A</b>    | <b>Law<br/>Enforcement</b> |  |
| <b>Assets:</b>   |                               |                                     |                     |                            |  |
| Pooled cash and investments  | \$ 389,396                    | \$ -                                | \$ 7,364,695        | \$ 189                     |  |
| Receivables:   |                               |                                     |                     |                            |  |
| Accounts   | 39,767                        | -                                   | 959,618             | -                          |  |
| Notes and loans  | -                             | -                                   | -                   | -                          |  |
| Interest   | -                             | -                                   | -                   | -                          |  |
| Due from other governments   | 575,588                       | 145,333                             | 1,013,575           | 260,599                    |  |
| Advances to other funds  | -                             | -                                   | 360,000             | -                          |  |
| Restricted assets:   |                               |                                     |                     |                            |  |
| Cash with fiscal agents  | -                             | -                                   | -                   | -                          |  |
| <b>Total Assets</b>  | <b>\$ 1,004,751</b>           | <b>\$ 145,333</b>                   | <b>\$ 9,697,888</b> | <b>\$ 260,788</b>          |  |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>      |                               |                                     |                     |                            |  |
| <b>Liabilities:</b>  |                               |                                     |                     |                            |  |
| Accounts payable   | \$ 34,197                     | \$ 6,913                            | \$ 413,247          | \$ 57,334                  |  |
| Accrued liabilities  | -                             | -                                   | -                   | -                          |  |
| Unearned revenues  | -                             | -                                   | -                   | -                          |  |
| Due to other governments   | -                             | -                                   | -                   | -                          |  |
| Due to other funds   | -                             | 138,420                             | -                   | 203,454                    |  |
| <b>Total Liabilities</b>   | <b>34,197</b>                 | <b>145,333</b>                      | <b>413,247</b>      | <b>260,788</b>             |  |
| <b>Deferred Inflows of Resources:</b>                                      |                               |                                     |                     |                            |  |
| Unavailable revenues   | -                             | -                                   | -                   | -                          |  |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>-</b>                      | <b>-</b>                            | <b>-</b>            | <b>-</b>                   |  |
| <b>Fund Balances:</b>  |                               |                                     |                     |                            |  |
| <b>Nonspendable:</b>   |                               |                                     |                     |                            |  |
| Notes and loans  | -                             | -                                   | -                   | -                          |  |
| Advances to other funds  | -                             | -                                   | 360,000             | -                          |  |
| Permanent fund principal   | -                             | -                                   | -                   | -                          |  |
| <b>Restricted for:</b>   |                               |                                     |                     |                            |  |
| Community development projects   | -                             | -                                   | -                   | -                          |  |
| Public safety  | -                             | -                                   | -                   | -                          |  |
| Public works   | 970,554                       | -                                   | 8,924,641           | -                          |  |
| Capital projects   | -                             | -                                   | -                   | -                          |  |
| Debt service   | -                             | -                                   | -                   | -                          |  |
| Endowment  | -                             | -                                   | -                   | -                          |  |
| Water quality  | -                             | -                                   | -                   | -                          |  |
| <b>Unassigned</b>  | <b>-</b>                      | <b>-</b>                            | <b>-</b>            | <b>-</b>                   |  |
| <b>Total Fund Balances</b>   | <b>970,554</b>                | <b>-</b>                            | <b>9,284,641</b>    | <b>-</b>                   |  |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ 1,004,751</b>           | <b>\$ 145,333</b>                   | <b>\$ 9,697,888</b> | <b>\$ 260,788</b>          |  |

(Continued)

| Special Revenue Funds |   |  |                               |  |  |  |
|-----------------------|---|--|-------------------------------|--|--|--|
| <b>Other Grants</b>   | <b>Public Education Government Access</b> |  | <b>Air Quality Management</b> | <b>Community Development Block Grant</b> |  |  |
| \$ -                  | \$ 1,673,665                              |  | \$ 79,385                     | \$ 98,714                                |  |  |
| 55,339                | 148,568                                   |  | -                             | -  |  |  |
| -                     | -   |  | -                             | -  |  |  |
| -                     | -   |  | -                             | -  |  |  |
| 98,383                | -   |  | 63,980                        | 294,241                                  |  |  |
| -                     | -   |  | -                             | -  |  |  |
| -                     | -   |  | -                             | -  |  |  |
| <b>\$ 153,722</b>     | <b>\$ 1,822,233</b>                       |  | <b>\$ 143,365</b>             | <b>\$ 392,955</b>                        |  |  |

**Assets:**

Pooled cash and investments

**Receivables:**

Accounts

Notes and loans

Interest

Due from other governments

Advances to other funds

**Restricted assets:**

Cash with fiscal agents

**Total Assets**

**Liabilities, Deferred Inflows of Resources, and Fund Balances:**

**Liabilities:**

Accounts payable

Accrued liabilities

Unearned revenues

Due to other governments

Due to other funds

**Total Liabilities**

**Deferred Inflows of Resources:**

Unavailable revenues

**Total Deferred Inflows of Resources**

**Fund Balances:**

**Nonspendable:**

Notes and loans

Advances to other funds

Permanent fund principal

**Restricted for:**

Community development projects

Public safety

Public works

Capital projects

Debt service

Endowment

Water quality

**Unassigned**

**Total Fund Balances**

**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**

**City of Moreno Valley**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

| Special Revenue Funds  |  |                           |                     |                     |  |  |
|--|--|---------------------------|---------------------|---------------------|--|--|
|  | Special<br>Districts<br>Administration | Storm Water<br>Management | HOME                | Child Care<br>Grant |  |  |
| <b>Assets:</b>   |  |                           |                     |                     |  |  |
| Pooled cash and investments  | \$ 394,640                             | \$ 537,608                | \$ 780,710          | \$ 13,955           |  |  |
| Receivables:   |  |                           |                     |                     |  |  |
| Accounts   | -                                      | 5,329                     | -                   | -                   |  |  |
| Notes and loans  | -                                      | -                         | 5,619,328           | -                   |  |  |
| Interest   | -                                      | -                         | 397,001             | -                   |  |  |
| Due from other governments   | -                                      | 3,949                     | 2,891               | 19,273              |  |  |
| Advances to other funds  | 580,657                                | -                         | -                   | -                   |  |  |
| Restricted assets:   |  |                           |                     |                     |  |  |
| Cash with fiscal agents  | -                                      | -                         | -                   | -                   |  |  |
| <b>Total Assets</b>  | <b>\$ 975,297</b>                      | <b>\$ 546,886</b>         | <b>\$ 6,799,930</b> | <b>\$ 33,228</b>    |  |  |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>      |  |                           |                     |                     |  |  |
| <b>Liabilities:</b>  |  |                           |                     |                     |  |  |
| Accounts payable   | \$ 3,521                               | \$ 8,785                  | \$ 1,179            | \$ 2,602            |  |  |
| Accrued liabilities  | -                                      | -                         | -                   | 27,441              |  |  |
| Unearned revenues  | -                                      | -                         | -                   | -                   |  |  |
| Due to other governments   | -                                      | -                         | -                   | 3,185               |  |  |
| Due to other funds   | -                                      | -                         | -                   | -                   |  |  |
| <b>Total Liabilities</b>   | <b>3,521</b>                           | <b>8,785</b>              | <b>1,179</b>        | <b>33,228</b>       |  |  |
| <b>Deferred Inflows of Resources:</b>                                      |  |                           |                     |                     |  |  |
| Unavailable revenues   | -                                      | -                         | 397,001             | -                   |  |  |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>-</b>                               | <b>-</b>                  | <b>397,001</b>      | <b>-</b>            |  |  |
| <b>Fund Balances:</b>  |  |                           |                     |                     |  |  |
| <b>Nonspendable:</b>   |  |                           |                     |                     |  |  |
| Notes and loans  | -                                      | -                         | 5,619,328           | -                   |  |  |
| Advances to other funds  | 580,657                                | -                         | -                   | -                   |  |  |
| Permanent fund principal   | -                                      | -                         | -                   | -                   |  |  |
| <b>Restricted for:</b>   |  |                           |                     |                     |  |  |
| Community development projects   | -                                      | -                         | 782,422             | -                   |  |  |
| Public safety  | -                                      | -                         | -                   | -                   |  |  |
| Public works   | 391,119                                | -                         | -                   | -                   |  |  |
| Capital projects   | -                                      | -                         | -                   | -                   |  |  |
| Debt service   | -                                      | -                         | -                   | -                   |  |  |
| Endowment  | -                                      | -                         | -                   | -                   |  |  |
| Water quality  | -                                      | 538,101                   | -                   | -                   |  |  |
| <b>Unassigned</b>  | -                                      | -                         | -                   | -                   |  |  |
| <b>Total Fund Balances</b>   | <b>971,776</b>                         | <b>538,101</b>            | <b>6,401,750</b>    | <b>-</b>            |  |  |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ 975,297</b>                      | <b>\$ 546,886</b>         | <b>\$ 6,799,930</b> | <b>\$ 33,228</b>    |  |  |

(Continued)

**Special Revenue Funds**

| <b>Used Oil<br/>Recycling</b>   | <b>Storm Water<br/>Maintenance</b> | <b>ASES<br/>Program<br/>Grants</b> | <b>CFD #4M</b>   |
|---|------------------------------------|------------------------------------|------------------|
| \$ 48,069   | \$ -                               | \$ -                               | \$ 83,039        |
| -   | 46,091                             | -                                  | -                |
| -   | -                                  | -                                  | -                |
| -   | -                                  | -                                  | -                |
| -   | -                                  | 507,990                            | -                |
| -   | -                                  | -                                  | -                |
| -   | -                                  | -                                  | -                |
| <b>\$ 48,069</b>  | <b>\$ 46,091</b>                   | <b>\$ 507,990</b>                  | <b>\$ 83,039</b> |
| <b>Total Assets</b>   |                                    |                                    |                  |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b> |                                    |                                    |                  |
| <b>Liabilities:</b>   |                                    |                                    |                  |
| \$ 20   | \$ 5,031                           | \$ 24,004                          | \$ 11,944        |
| 48,049  | -                                  | -                                  | -                |
| -   | -                                  | -                                  | -                |
| -   | 189,211                            | 481,357                            | -                |
| <b>48,069</b>   | <b>194,242</b>                     | <b>505,361</b>                     | <b>11,944</b>    |
| <b>Total Liabilities</b>  |                                    |                                    |                  |
| <b>Deferred Inflows of Resources:</b>                                     |                                    |                                    |                  |
| Unavailable revenues  |                                    |                                    |                  |
| <b>Total Deferred Inflows of Resources</b>                                |                                    |                                    |                  |
| <b>Fund Balances:</b>   |                                    |                                    |                  |
| <b>Nonspendable:</b>  |                                    |                                    |                  |
| -   | -                                  | -                                  | -                |
| -   | -                                  | -                                  | -                |
| -   | -                                  | -                                  | -                |
| -   | -                                  | 2,629                              | -                |
| -   | -                                  | -                                  | -                |
| -   | -                                  | -                                  | 71,095           |
| -   | -                                  | -                                  | -                |
| -   | -                                  | -                                  | -                |
| -   | -                                  | -                                  | -                |
| -   | (148,151)                          | -                                  | -                |
| <b>-</b>  | <b>(148,151)</b>                   | <b>2,629</b>                       | <b>71,095</b>    |
| <b>\$ 48,069</b>  | <b>\$ 46,091</b>                   | <b>\$ 507,990</b>                  | <b>\$ 83,039</b> |

**Assets:**

- Pooled cash and investments
- Receivables:
  - Accounts
  - Notes and loans
  - Interest
- Due from other governments
- Advances to other funds
- Restricted assets:
  - Cash with fiscal agents

**Total Assets**

**Liabilities, Deferred Inflows of Resources,  
and Fund Balances:**

**Liabilities:**

- Accounts payable
- Accrued liabilities
- Unearned revenues
- Due to other governments
- Due to other funds

**Total Liabilities**

**Deferred Inflows of Resources:**

- Unavailable revenues

**Total Deferred Inflows of Resources**

**Fund Balances:**

- Nonspendable:**
  - Notes and loans
  - Advances to other funds
  - Permanent fund principal

**Restricted for:**

- Community development projects
- Public safety
- Public works
- Capital projects
- Debt service
- Endowment
- Water quality

**Unassigned**

**Total Fund Balances**

**Total Liabilities, Deferred Inflows of  
Resources, and Fund Balances**

**City of Moreno Valley**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

| <b>Special Revenue Funds</b>   |                                |                        |  |  |  |  |
|--|--------------------------------|------------------------|--|--|--|--|
|  | <b>Prop 42<br/>Replacement</b> | <b>Civil Penalties</b> | <b>Emergency<br/>Services<br/>Agency Fines</b> | <b>Energy<br/>Efficiency<br/>Revolving</b> |  |  |
| <b>Assets:</b>   |                                |                        |  |  |  |  |
| Pooled cash and investments  | \$ -                           | \$ 246,741             | \$ 328,236                                     | \$ 105,944                                 |  |  |
| Receivables:   |                                |                        |  |  |  |  |
| Accounts   | -                              | -                      | -  | -  |  |  |
| Notes and loans  | -                              | -                      | -  | -  |  |  |
| Interest   | -                              | -                      | -  | -  |  |  |
| Due from other governments   | -                              | -                      | -  | -  |  |  |
| Advances to other funds  | -                              | -                      | -  | -  |  |  |
| Restricted assets:   |                                |                        |  |  |  |  |
| Cash with fiscal agents  | -                              | -                      | -  | -  |  |  |
| <b>Total Assets</b>  | <b>\$ -</b>                    | <b>\$ 246,741</b>      | <b>\$ 328,236</b>                              | <b>\$ 105,944</b>                          |  |  |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>      |                                |                        |  |  |  |  |
| <b>Liabilities:</b>  |                                |                        |  |  |  |  |
| Accounts payable   | \$ -                           | \$ 1,473               | \$ -   | \$ -                                       |  |  |
| Accrued liabilities  | -                              | -                      | -  | -  |  |  |
| Unearned revenues  | -                              | -                      | -  | -  |  |  |
| Due to other governments   | -                              | -                      | -  | -  |  |  |
| Due to other funds   | -                              | -                      | -  | -  |  |  |
| <b>Total Liabilities</b>   | <b>-</b>                       | <b>1,473</b>           | <b>-</b>                                       | <b>-</b>                                   |  |  |
| <b>Deferred Inflows of Resources:</b>                                      |                                |                        |  |  |  |  |
| Unavailable revenues   | -                              | -                      | -  | -  |  |  |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>-</b>                       | <b>-</b>               | <b>-</b>                                       | <b>-</b>                                   |  |  |
| <b>Fund Balances:</b>  |                                |                        |  |  |  |  |
| <b>Nonspendable:</b>   |                                |                        |  |  |  |  |
| Notes and loans  | -                              | -                      | -  | -  |  |  |
| Advances to other funds  | -                              | -                      | -  | -  |  |  |
| Permanent fund principal   | -                              | -                      | -  | -  |  |  |
| <b>Restricted for:</b>   |                                |                        |  |  |  |  |
| Community development projects   | -                              | 245,268                | -  | -  |  |  |
| Public safety  | -                              | -                      | 328,236  | -  |  |  |
| Public works   | -                              | -                      | -  | 105,944                                    |  |  |
| Capital projects   | -                              | -                      | -  | -  |  |  |
| Debt service   | -                              | -                      | -  | -  |  |  |
| Endowment  | -                              | -                      | -  | -  |  |  |
| Water quality  | -                              | -                      | -  | -  |  |  |
| <b>Unassigned</b>  | <b>-</b>                       | <b>-</b>               | <b>-</b>                                       | <b>-</b>                                   |  |  |
| <b>Total Fund Balances</b>   | <b>-</b>                       | <b>245,268</b>         | <b>328,236</b>                                 | <b>105,944</b>                             |  |  |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ -</b>                    | <b>\$ 246,741</b>      | <b>\$ 328,236</b>                              | <b>\$ 105,944</b>                          |  |  |

(Continued)

**Capital Projects Funds**

| <b>Facility Construction</b> | <b>Public Works Capital Projects</b> |                   | <b>Traffic Signal Mitigation</b> |                   | <b>Fire Services Capital Projects</b> |  |
|------------------------------|--------------------------------------|-------------------|----------------------------------|-------------------|---------------------------------------|--|
|                              | \$ 5,556,347                         | \$ 2,464,386      | \$ 137,578                       | \$ 641,200        |                                       |  |
| -                            | 352,000                              |                   | -                                | -                 |                                       |  |
| -                            | -                                    |                   | -                                | -                 |                                       |  |
| -                            | -                                    |                   | -                                | -                 |                                       |  |
| -                            | -                                    |                   | -                                | -                 |                                       |  |
| -                            | -                                    |                   | -                                | -                 |                                       |  |
| -                            | -                                    |                   | -                                | -                 |                                       |  |
| <b>\$ 5,556,347</b>          | <b>\$ 2,816,386</b>                  | <b>\$ 137,578</b> |                                  | <b>\$ 641,200</b> |                                       |  |

|               |                |      |               |  |
|---------------|----------------|------|---------------|--|
| \$ 94,398     | \$ 487,773     | \$ - | \$ 34,159     |  |
| -             | -              | -    | -             |  |
| -             | -              | -    | -             |  |
| -             | -              | -    | -             |  |
| -             | -              | -    | -             |  |
| <b>94,398</b> | <b>487,773</b> |      | <b>34,159</b> |  |

|                  |                  |                |                |  |
|------------------|------------------|----------------|----------------|--|
| -                | -                | -              | -              |  |
| -                | -                | -              | -              |  |
| -                | -                | -              | -              |  |
| -                | -                | -              | -              |  |
| -                | -                | -              | -              |  |
| <b>5,461,949</b> | <b>2,328,613</b> | <b>137,578</b> | <b>607,041</b> |  |

|                     |                     |                   |                   |  |
|---------------------|---------------------|-------------------|-------------------|--|
| <b>5,461,949</b>    | <b>2,328,613</b>    | <b>137,578</b>    | <b>607,041</b>    |  |
| <b>\$ 5,556,347</b> | <b>\$ 2,816,386</b> | <b>\$ 137,578</b> | <b>\$ 641,200</b> |  |

**Assets:**

Pooled cash and investments  
Receivables:  
- Accounts  
- Notes and loans  
- Interest  
- Due from other governments  
- Advances to other funds  
Restricted assets:  
- Cash with fiscal agents

**Total Assets**

**Liabilities, Deferred Inflows of Resources, and Fund Balances:**

**Liabilities:**

Accounts payable  
Accrued liabilities  
Unearned revenues  
Due to other governments  
Due to other funds

**Total Liabilities**

**Deferred Inflows of Resources:**

Unavailable revenues

**Total Deferred Inflows of Resources**

**Fund Balances:**

**Nonspendable:**

- Notes and loans  
- Advances to other funds  
- Permanent fund principal

**Restricted for:**

- Community development projects  
- Public safety  
- Public works  
- Capital projects  
- Debt service  
- Endowment  
- Water quality

**Unassigned**

**Total Fund Balances**

**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**

**City of Moreno Valley**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

|  | <b>Capital Projects Funds</b>                    |   |   |                     | <b>Parks and<br/>Community<br/>Services<br/>Capital<br/>Projects</b> |
|--|--|---|---|---------------------|--|
|  | <b>Towngate<br/>Capital /<br/>Administration</b> | <b>Warner Ranch<br/>Capital /<br/>Development</b> | <b>Auto Mall<br/>Capital /<br/>Administration</b> | <b></b>             |  |
| <b>Assets:</b>   |  |   |   |                     |  |
| Pooled cash and investments  | \$ -   | \$ 13,673   | \$ -  | \$ 4,379,089        |  |
| Receivables:   |  |   |   |                     |  |
| Accounts   | -  | -   | -   | -                   |  |
| Notes and loans  | -  | -   | -   | -                   |  |
| Interest   | -  | -   | -   | -                   |  |
| Due from other governments   | -  | -   | -   | -                   |  |
| Advances to other funds  | -  | -   | -   | -                   |  |
| Restricted assets:   |  |   |   |                     |  |
| Cash with fiscal agents  | -  | -   | -   | -                   |  |
| <b>Total Assets</b>  | <b>\$ -</b>                                      | <b>\$ 13,673</b>                                  | <b>\$ -</b>                                       | <b>\$ 4,379,089</b> |  |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>      |  |   |   |                     |  |
| <b>Liabilities:</b>  |  |   |   |                     |  |
| Accounts payable   | \$ -   | \$ -  | \$ -  | \$ 18,975           |  |
| Accrued liabilities  | -  | -   | -   | -                   |  |
| Unearned revenues  | -  | -   | -   | -                   |  |
| Due to other governments   | -  | -   | -   | -                   |  |
| Due to other funds   | -  | -   | -   | -                   |  |
| <b>Total Liabilities</b>   | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>18,975</b>       |  |
| <b>Deferred Inflows of Resources:</b>                                      |  |   |   |                     |  |
| Unavailable revenues   | -  | -   | -   | -                   |  |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>            |  |
| <b>Fund Balances:</b>  |  |   |   |                     |  |
| <b>Nonspendable:</b>   |  |   |   |                     |  |
| Notes and loans  | -  | -   | -   | -                   |  |
| Advances to other funds  | -  | -   | -   | -                   |  |
| Permanent fund principal   | -  | -   | -   | -                   |  |
| <b>Restricted for:</b>   |  |   |   |                     |  |
| Community development projects   | -  | -   | -   | -                   |  |
| Public safety  | -  | -   | -   | -                   |  |
| Public works   | -  | -   | -   | -                   |  |
| Capital projects   | -  | 13,673  | -   | 4,360,114           |  |
| Debt service   | -  | -   | -   | -                   |  |
| Endowment  | -  | -   | -   | -                   |  |
| Water quality  | -  | -   | -   | -                   |  |
| <b>Unassigned</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>            |  |
| <b>Total Fund Balances</b>   | <b>-</b>   | <b>13,673</b>                                     | <b>-</b>  | <b>4,360,114</b>    |  |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ -</b>                                      | <b>\$ 13,673</b>                                  | <b>\$ -</b>                                       | <b>\$ 4,379,089</b> |  |

(Continued)

| Capital Projects Funds   |  |                      |  |                          |                           |                  |
|--|--|----------------------|--|--------------------------|---------------------------|------------------|
| TUMF Capital Projects  |  | DIF Capital Projects |  | Lease Revenue Bonds 2005 | 2007 Tax Allocation Bonds | Capital Projects |
| \$ -   |  | \$ 2,619,502         |  | \$ 258,105               | \$ -                      |                  |
| 43,026   |  | 529,246              |  | -                        | -                         |                  |
| -  |  | -                    |  | -                        | -                         |                  |
| -  |  | -                    |  | -                        | -                         |                  |
| -  |  | -                    |  | -                        | -                         |                  |
| -  |  | -                    |  | -                        | -                         |                  |
| -  |  | -                    |  | -                        | -                         |                  |
| <b>\$ 43,026</b>   |  | <b>\$ 3,148,748</b>  |  | <b>\$ 258,105</b>        |                           | <b>\$ -</b>      |
| <b>Assets:</b>   |  |                      |  |                          |                           |                  |
| Pooled cash and investments  |  |                      |  |                          |                           |                  |
| <b>Receivables:</b>  |  |                      |  |                          |                           |                  |
| Accounts   |  |                      |  |                          |                           |                  |
| Notes and loans  |  |                      |  |                          |                           |                  |
| Interest   |  |                      |  |                          |                           |                  |
| Due from other governments   |  |                      |  |                          |                           |                  |
| Advances to other funds  |  |                      |  |                          |                           |                  |
| <b>Restricted assets:</b>  |  |                      |  |                          |                           |                  |
| Cash with fiscal agents  |  |                      |  |                          |                           |                  |
| <b>Total Assets</b>  |  |                      |  |                          |                           |                  |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>      |  |                      |  |                          |                           |                  |
| <b>Liabilities:</b>  |  |                      |  |                          |                           |                  |
| Accounts payable   |  |                      |  |                          |                           |                  |
| Accrued liabilities  |  |                      |  |                          |                           |                  |
| Unearned revenues  |  |                      |  |                          |                           |                  |
| Due to other governments   |  |                      |  |                          |                           |                  |
| Due to other funds   |  |                      |  |                          |                           |                  |
| <b>Total Liabilities</b>   |  |                      |  |                          |                           |                  |
| <b>Deferred Inflows of Resources:</b>                                      |  |                      |  |                          |                           |                  |
| Unavailable revenues   |  |                      |  |                          |                           |                  |
| <b>Total Deferred Inflows of Resources</b>                                 |  |                      |  |                          |                           |                  |
| <b>Fund Balances:</b>  |  |                      |  |                          |                           |                  |
| <b>Nonspendable:</b>   |  |                      |  |                          |                           |                  |
| Notes and loans  |  |                      |  |                          |                           |                  |
| Advances to other funds  |  |                      |  |                          |                           |                  |
| Permanent fund principal   |  |                      |  |                          |                           |                  |
| <b>Restricted for:</b>   |  |                      |  |                          |                           |                  |
| Community development projects   |  |                      |  |                          |                           |                  |
| Public safety  |  |                      |  |                          |                           |                  |
| Public works   |  |                      |  |                          |                           |                  |
| Capital projects   |  |                      |  |                          |                           |                  |
| Debt service   |  |                      |  |                          |                           |                  |
| Endowment  |  |                      |  |                          |                           |                  |
| Water quality  |  |                      |  |                          |                           |                  |
| <b>Unassigned</b>  |  |                      |  |                          |                           |                  |
| <b>Total Fund Balances</b>   |  |                      |  |                          |                           |                  |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> |  |                      |  |                          |                           |                  |
| \$ 43,026  |  | \$ 3,148,748         |  | \$ 258,105               |                           | \$ -             |

**City of Moreno Valley**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

|  | <b>Capital Projects<br/>Funds</b> |  | <b>Debt Service Funds</b>                                |  |     |
|--|-----------------------------------|--|--|--|-----|
|  | <b>TRIP Capital<br/>Projects</b>  | <b>Auto Mall<br/>Special Tax<br/>Bonds</b> | <b>Lease<br/>Revenue<br/>Bonds 2005<br/>Debt Service</b> | <b>2007<br/>Towngate<br/>Improvement<br/>Refunding</b> |     |
| <b>Assets:</b>   |                                   |  |  |  |     |
| Pooled cash and investments  | \$ -                              | \$ -                                       | \$ 5,705,649   | \$ 86,308  |     |
| Receivables:   |                                   |  |  |  |     |
| Accounts   | -                                 | -  | -  | -  |     |
| Notes and loans  | -                                 | -  | -  | -  |     |
| Interest   | -                                 | -  | -  | -  |     |
| Due from other governments   | -                                 | -  | -  | -  | 429 |
| Advances to other funds  | -                                 | -  | -  | -  |     |
| Restricted assets:   |                                   |  |  |  |     |
| Cash with fiscal agents  | 17,951,690                        | -  | 2,649,358  | 760,740  |     |
| <b>Total Assets</b>  | <b>\$ 17,951,690</b>              | <b>\$ -</b>                                | <b>\$ 8,355,007</b>                                      | <b>\$ 847,477</b>                                      |     |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b>      |                                   |  |  |  |     |
| <b>Liabilities:</b>  |                                   |  |  |  |     |
| Accounts payable   | \$ 30,012                         | \$ -                                       | \$ -   | \$ -   |     |
| Accrued liabilities  | -                                 | -  | -  | -  |     |
| Unearned revenues  | -                                 | -  | -  | -  |     |
| Due to other governments   | -                                 | -  | -  | -  |     |
| Due to other funds   | 1,280,654                         | -  | -  | -  |     |
| <b>Total Liabilities</b>   | <b>1,310,666</b>                  | <b>-</b>                                   | <b>-</b>   | <b>-</b>   |     |
| <b>Deferred Inflows of Resources:</b>  |                                   |  |  |  |     |
| Unavailable revenues   | -                                 | -  | -  | -  |     |
| <b>Total Deferred Inflows of Resources</b>                                     | <b>-</b>                          | <b>-</b>                                   | <b>-</b>   | <b>-</b>   |     |
| <b>Fund Balances:</b>  |                                   |  |  |  |     |
| <b>Nonspendable:</b>   |                                   |  |  |  |     |
| Notes and loans  | -                                 | -  | -  | -  |     |
| Advances to other funds  | -                                 | -  | -  | -  |     |
| Permanent fund principal   | -                                 | -  | -  | -  |     |
| <b>Restricted for:</b>   |                                   |  |  |  |     |
| Community development projects   | -                                 | -  | -  | -  |     |
| Public safety  | -                                 | -  | -  | -  |     |
| Public works   | -                                 | -  | -  | -  |     |
| Capital projects   | 16,641,024                        | -  | -  | -  |     |
| Debt service   | -                                 | -  | 8,355,007  | 847,477  |     |
| Endowment  | -                                 | -  | -  | -  |     |
| Water quality  | -                                 | -  | -  | -  |     |
| <b>Unassigned</b>  | <b>-</b>                          | <b>-</b>                                   | <b>-</b>   | <b>-</b>   |     |
| <b>Total Fund Balances</b>   | <b>16,641,024</b>                 | <b>-</b>                                   | <b>8,355,007</b>   | <b>847,477</b>   |     |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b> | <b>\$ 17,951,690</b>              | <b>\$ -</b>                                | <b>\$ 8,355,007</b>                                      | <b>\$ 847,477</b>                                      |     |

(Continued)

**Debt Service Funds**

| 2007<br>Towngate<br>Refunding | 2011 Priv<br>Placement Ref<br>97 Lease Rev<br>Bonds | 2011 Priv<br>Placement Ref<br>97 COPs | TRIP COP 13A<br>Debt Service |
|-------------------------------|---|---------------------------------------|------------------------------|
| \$ 167,532                    | \$ -  | \$ -                                  | \$ -                         |
| -                             | -   | -                                     | -                            |
| -                             | -   | -                                     | -                            |
| -                             | -   | -                                     | -                            |
| -                             | -   | -                                     | -                            |
| -                             | -   | -                                     | -                            |
| <b>2,626,624</b>              | <b>-</b>  | <b>-</b>                              | <b>7,236</b>                 |
| <b>\$ 2,794,156</b>           | <b>\$ -</b>   | <b>\$ -</b>                           | <b>\$ 7,236</b>              |
|                               |   |                                       |                              |
| \$ -                          | \$ -  | \$ -                                  | \$ -                         |
| -                             | -   | -                                     | -                            |
| -                             | -   | -                                     | -                            |
| -                             | -   | -                                     | -                            |
| -                             | -   | -                                     | -                            |
| <b>-</b>                      | <b>-</b>  | <b>-</b>                              | <b>7,236</b>                 |
| <b>-</b>                      | <b>-</b>  | <b>-</b>                              | <b>7,236</b>                 |
|                               |   |                                       |                              |
| <b>2,794,156</b>              | <b>-</b>  | <b>-</b>                              | <b>-</b>                     |
| <b>2,794,156</b>              | <b>-</b>  | <b>-</b>                              | <b>-</b>                     |
| <b>\$ 2,794,156</b>           | <b>\$ -</b>   | <b>\$ -</b>                           | <b>\$ 7,236</b>              |

**Assets:**

Pooled cash and investments

**Receivables:**

Accounts

Notes and loans

Interest

Due from other governments

Advances to other funds

**Restricted assets:**

Cash with fiscal agents

**Total Assets**

**Liabilities, Deferred Inflows of Resources, and Fund Balances:**

**Liabilities:**

Accounts payable

Accrued liabilities

Unearned revenues

Due to other governments

Due to other funds

**Total Liabilities**

**Deferred Inflows of Resources:**

Unavailable revenues

**Total Deferred Inflows of Resources**

**Fund Balances:**

**Nonspendable:**

Notes and loans

Advances to other funds

Permanent fund principal

**Restricted for:**

Community development projects

Public safety

Public works

Capital projects

Debt service

Endowment

Water quality

**Unassigned**

**Total Fund Balances**

**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**

**City of Moreno Valley**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

|  | Debt Service<br>Funds |   | Permanent Funds                  |                                  |                                |
|--|-----------------------|---|----------------------------------|----------------------------------|--------------------------------|
|  | 2013                  | Refunding<br>2005 Lease<br>Revenue<br>Bonds | Celebration<br>Park<br>Endowment | Equestrian<br>Trail<br>Endowment | Rockridge<br>Park<br>Endowment |
| <b>Assets:</b>   |                       |   |                                  |                                  |                                |
| Pooled cash and investments  | \$ -                  |   | \$ 61,344                        | \$ 11,979                        | \$ 106,342                     |
| Receivables:   |                       |   |                                  |                                  |                                |
| Accounts   |                       | -   | -                                | -                                | -                              |
| Notes and loans  |                       | -   | -                                | -                                | -                              |
| Interest   |                       | -   | -                                | -                                | -                              |
| Due from other governments   |                       | -   | -                                | -                                | -                              |
| Advances to other funds  |                       | -   | -                                | -                                | -                              |
| Restricted assets:   |                       |   |                                  |                                  |                                |
| Cash with fiscal agents  |                       | -   | -                                | -                                | -                              |
| <b>Total Assets</b>  | <b>\$ -</b>           | <b>\$ 61,344</b>                            | <b>\$ 11,979</b>                 | <b>\$ 106,342</b>                |                                |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>      |                       |   |                                  |                                  |                                |
| <b>Liabilities:</b>  |                       |   |                                  |                                  |                                |
| Accounts payable   | \$ -                  | \$ -  | \$ -                             | \$ -                             | \$ -                           |
| Accrued liabilities  |                       | -   | -                                | -                                | -                              |
| Unearned revenues  |                       | -   | -                                | -                                | -                              |
| Due to other governments   |                       | -   | -                                | -                                | -                              |
| Due to other funds   |                       | -   | -                                | -                                | -                              |
| <b>Total Liabilities</b>   | <b>-</b>              | <b>-</b>                                    | <b>-</b>                         | <b>-</b>                         | <b>-</b>                       |
| <b>Deferred Inflows of Resources:</b>                                      |                       |   |                                  |                                  |                                |
| Unavailable revenues   |                       | -   | -                                | -                                | -                              |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>-</b>              | <b>-</b>                                    | <b>-</b>                         | <b>-</b>                         | <b>-</b>                       |
| <b>Fund Balances:</b>  |                       |   |                                  |                                  |                                |
| <b>Nonspendable:</b>   |                       |   |                                  |                                  |                                |
| Notes and loans  |                       | -   | -                                | -                                | -                              |
| Advances to other funds  |                       | -   | -                                | -                                | -                              |
| Permanent fund principal   |                       | -   | 49,050                           | 10,000                           | 100,000                        |
| <b>Restricted for:</b>   |                       |   |                                  |                                  |                                |
| Community development projects   |                       | -   | -                                | -                                | -                              |
| Public safety  |                       | -   | -                                | -                                | -                              |
| Public works   |                       | -   | -                                | -                                | -                              |
| Capital projects   |                       | -   | -                                | -                                | -                              |
| Debt service   |                       | -   | -                                | -                                | -                              |
| Endowment  |                       | -   | 12,294                           | 1,979                            | 6,342                          |
| Water quality  |                       | -   | -                                | -                                | -                              |
| <b>Unassigned</b>  | <b>-</b>              | <b>-</b>                                    | <b>-</b>                         | <b>-</b>                         | <b>-</b>                       |
| <b>Total Fund Balances</b>   | <b>-</b>              | <b>\$ 61,344</b>                            | <b>\$ 11,979</b>                 | <b>\$ 106,342</b>                |                                |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ -</b>           | <b>\$ 61,344</b>                            | <b>\$ 11,979</b>                 | <b>\$ 106,342</b>                |                                |

**Permanent Funds**

| <b>NPDES<br/>Endowment</b> |  | <b>Cultural<br/>Preservation</b> |  | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|----------------------------|--|----------------------------------|--|--|
| \$ 32,161                  |  | \$ 116,997                       |  | \$ 34,503,178                                    |
| -                          |  | -                                |  | 2,178,984  |
| -                          |  | -                                |  | 5,619,328  |
| -                          |  | -                                |  | 397,001  |
| -                          |  | -                                |  | 2,986,231  |
| -                          |  | -                                |  | 940,657  |
| -                          |  | -                                |  | 23,995,648                                       |
| <b>\$ 32,161</b>           |  | <b>\$ 116,997</b>                |  | <b>\$ 70,621,027</b>                             |

**Assets:**

Pooled cash and investments

**Receivables:**

Accounts

Notes and loans

Interest

Due from other governments

Advances to other funds

**Restricted assets:**

Cash with fiscal agents

**Total Assets**

**Liabilities, Deferred Inflows of Resources,  
and Fund Balances:**

**Liabilities:**

Accounts payable

Accrued liabilities

Unearned revenues

Due to other governments

Due to other funds

**Total Liabilities**

**Deferred Inflows of Resources:**

Unavailable revenues

**Total Deferred Inflows of Resources**

**Fund Balances:**

**Nonspendable:**

Notes and loans

Advances to other funds

Permanent fund principal

**Restricted for:**

Community development projects

Public safety

Public works

Capital projects

Debt service

Endowment

Water quality

**Unassigned**

**Total Fund Balances**

**Total Liabilities, Deferred Inflows of  
Resources, and Fund Balances**

**City of Moreno Valley**

**Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014**

**Special Revenue Funds**

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|  | <b>State Gasoline<br/>Tax</b> | <b>Article 3<br/>Transportation</b> | <b>Measure A</b>    | <b>Law<br/>Enforcement</b> |
|--|-------------------------------|-------------------------------------|---------------------|----------------------------|
| <b>Revenues:</b>   |                               |                                     |                     |                            |
| Taxes  |                               |                                     |                     |                            |
| Other taxes  | \$ -                          | \$ -                                | \$ -                | \$ -                       |
| Intergovernmental  | 6,146,513                     | 216,285                             | 5,099,438           | 595,620                    |
| Charges for services   | -                             | -                                   | -                   | -                          |
| Use of money and property                                    | (47,519)                      | -                                   | 158,954             | -                          |
| Contributions  | -                             | -                                   | -                   | -                          |
| Contributions from Successor Agency                          | -                             | -                                   | -                   | -                          |
| Miscellaneous  | 19,729                        | -                                   | 6,192               | -                          |
| <b>Total Revenues</b>  | <b>6,118,723</b>              | <b>216,285</b>                      | <b>5,264,584</b>    | <b>595,620</b>             |
| <b>Expenditures:</b>   |                               |                                     |                     |                            |
| Current:   |                               |                                     |                     |                            |
| General government   | -                             | -                                   | -                   | -                          |
| Public safety  | -                             | -                                   | -                   | 597,620                    |
| Community development  | -                             | -                                   | -                   | -                          |
| Community and cultural                                       | -                             | -                                   | -                   | -                          |
| Public works   | 5,885,902                     | -                                   | 545,957             | -                          |
| Capital outlay   | 113,882                       | 216,285                             | 3,408,130           | -                          |
| Debt service:  |                               |                                     |                     |                            |
| Principal retirement   | -                             | -                                   | -                   | -                          |
| Interest and fiscal charges                                  | -                             | -                                   | 11,653              | -                          |
| Bond issuance costs  | -                             | -                                   | -                   | -                          |
| <b>Total Expenditures</b>                                    | <b>5,999,784</b>              | <b>216,285</b>                      | <b>3,965,740</b>    | <b>597,620</b>             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 118,939                       | -                                   | 1,298,844           | (2,000)                    |
| <b>Other Financing Sources (Uses):</b>                       |                               |                                     |                     |                            |
| Transfers in   | 1,294,211                     | -                                   | 15,274              | -                          |
| Transfers out  | (50,000)                      | -                                   | (3,401,255)         | -                          |
| Refunding bonds issued                                       | -                             | -                                   | -                   | -                          |
| Other debt issued  | -                             | -                                   | -                   | -                          |
| Bond premium/(discount)                                      | -                             | -                                   | -                   | -                          |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>1,244,211</b>              | <b>-</b>                            | <b>(3,385,981)</b>  | <b>-</b>                   |
| Net Change in Fund Balances                                  | \$ 1,363,150                  | \$ -                                | \$ (2,087,137)      | \$ (2,000)                 |
| <b>Fund Balances:</b>  |                               |                                     |                     |                            |
| Beginning of year, as originally reported                    | \$ (392,596)                  | \$ -                                | \$ 10,793,801       | \$ 2,000                   |
| Restatements   | -                             | -                                   | 577,977             | -                          |
| Beginning of year, as restated                               | (392,596)                     | -                                   | 11,371,778          | 2,000                      |
| Net change in fund balances                                  | 1,363,150                     | -                                   | (2,087,137)         | (2,000)                    |
| <b>End of Year</b>   | <b>\$ 970,554</b>             | <b>\$ -</b>                         | <b>\$ 9,284,641</b> | <b>\$ -</b>                |

(Continued)

**Special Revenue Funds**

| <b>Other Grants</b> | <b>Public Education Government Access</b> | <b>Air Quality Management</b> | <b>Community Development Block Grant</b> |
|---------------------|---|-------------------------------|--|
| \$ - 370,967        | \$ -                                      | \$ 244,155                    | \$ 2,003,634                             |
| -                   | -   | -                             | -  |
| -                   | -   | 1,607                         | -  |
| -                   | -   | -                             | -  |
| -                   | -   | -                             | -  |
| -                   | 565,358                                   | -                             | 6,215                                    |
| <b>370,967</b>      | <b>565,358</b>                            | <b>245,762</b>                | <b>2,009,849</b>                         |
|                     |   |                               |  |
| 368                 | 767,510                                   | -                             | -  |
| 263,840             | -   | -                             | -  |
| 70,252              | -   | -                             | 1,194,417                                |
| -                   | -   | -                             | -  |
| 36,507              | 865                                       | 236,985                       | -  |
| -                   | 500,343                                   | 108,663                       | 809,365                                  |
|                     |   |                               |  |
| <b>370,967</b>      | <b>1,268,718</b>                          | <b>345,648</b>                | <b>2,003,782</b>                         |
|                     |   |                               |  |
| -                   | (703,360)                                 | (99,886)                      | 6,067                                    |
|                     |   |                               |  |
| -                   | -   | -                             | -  |
| -                   | -   | -                             | -  |
| -                   | -   | -                             | -  |
| -                   | -   | -                             | -  |
| -                   | -   | -                             | -  |
|                     |   |                               |  |
| <b>\$ -</b>         | <b>\$ (703,360)</b>                       | <b>\$ (99,886)</b>            | <b>\$ 6,067</b>                          |
|                     |   |                               |  |
| \$ -                | \$ 2,525,593                              | \$ 215,838                    | \$ 129,769                               |
|                     |   |                               |  |
| -                   | -   | -                             | -  |
| -                   | 2,525,593                                 | 215,838                       | 129,769                                  |
| -                   | (703,360)                                 | (99,886)                      | 6,067                                    |
|                     |   |                               |  |
| <b>\$ -</b>         | <b>\$ 1,822,233</b>                       | <b>\$ 115,952</b>             | <b>\$ 135,836</b>                        |

**Revenues:**

- Taxes
  - Other taxes
  - Intergovernmental
  - Charges for services
  - Use of money and property
  - Contributions
  - Contributions from Successor Agency
  - Miscellaneous

**Total Revenues**

**Expenditures:**

- Current:
  - General government
  - Public safety
  - Community development
  - Community and cultural
  - Public works
- Capital outlay
- Debt service:
  - Principal retirement
  - Interest and fiscal charges
  - Bond issuance costs

**Total Expenditures**

Excess (Deficiency) of Revenues  
Over (Under) Expenditures

**Other Financing Sources (Uses):**

- Transfers in
- Transfers out
- Refunding bonds issued
- Other debt issued
- Bond premium/(discount)

**Total Other Financing Sources (Uses)**

Net Change in Fund Balances

**Fund Balances:**

Beginning of year, as originally reported

Restatements

Beginning of year, as restated  
Net change in fund balances

**End of Year**

**City of Moreno Valley**

**Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014**

| Special Revenue Funds  |   |                                   |                            |                             |      |
|--|---|-----------------------------------|----------------------------|-----------------------------|------|
|  | <u>Special<br/>Districts<br/>Administration</u> | <u>Storm Water<br/>Management</u> | <u>HOME</u>                | <u>Child Care<br/>Grant</u> |      |
| <b>Revenues:</b>   |   |                                   |                            |                             |      |
| Taxes  |   |                                   |                            |                             |      |
| Other taxes  | \$ -  | \$ -                              | \$ -                       | \$ -                        | \$ - |
| Intergovernmental  | -   | -                                 | 1,517,033                  | 531,580                     |      |
| Charges for services   | 908,738   | 680,172                           | -                          | 19,938                      |      |
| Use of money and property                                    | 4,630   | -                                 | 500                        | -                           |      |
| Contributions  | -   | -                                 | -                          | -                           |      |
| Contributions from Successor Agency                          | -   | -                                 | -                          | -                           |      |
| Miscellaneous  | -   | 92                                | 296,491                    | -                           |      |
| <b>Total Revenues</b>  | <b>913,368</b>                                  | <b>680,264</b>                    | <b>1,814,024</b>           | <b>551,518</b>              |      |
| <b>Expenditures:</b>   |   |                                   |                            |                             |      |
| Current:   |   |                                   |                            |                             |      |
| General government   | -   | -                                 | -                          | -                           | -    |
| Public safety  | -   | -                                 | -                          | -                           | -    |
| Community development  | -   | -                                 | 33,023                     | -                           |      |
| Community and cultural                                       | -   | -                                 | -                          | 551,518                     |      |
| Public works   | 659,810   | 454,518                           | -                          | -                           |      |
| Capital outlay   | -   | -                                 | 175,674                    | -                           |      |
| Debt service:  |   |                                   |                            |                             |      |
| Principal retirement   | -   | -                                 | -                          | -                           | -    |
| Interest and fiscal charges                                  | -   | -                                 | -                          | -                           | -    |
| Bond issuance costs  | -   | -                                 | -                          | -                           | -    |
| <b>Total Expenditures</b>                                    | <b>659,810</b>                                  | <b>454,518</b>                    | <b>208,697</b>             | <b>551,518</b>              |      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 253,558   | 225,746                           | 1,605,327                  | -                           |      |
| <b>Other Financing Sources (Uses):</b>                       |   |                                   |                            |                             |      |
| Transfers in   | -   | 653                               | -                          | -                           | -    |
| Transfers out  | -   | -                                 | -                          | -                           | -    |
| Refunding bonds issued                                       | -   | -                                 | -                          | -                           | -    |
| Other debt issued  | -   | -                                 | -                          | -                           | -    |
| Bond premium/(discount)                                      | -   | -                                 | -                          | -                           | -    |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>-</b>  | <b>653</b>                        | <b>-</b>                   | <b>-</b>                    |      |
| Net Change in Fund Balances                                  | <u>\$ 253,558</u>                               | <u>\$ 226,399</u>                 | <u>\$ 1,605,327</u>        | <u>\$ -</u>                 |      |
| <b>Fund Balances:</b>  |   |                                   |                            |                             |      |
| Beginning of year, as originally reported                    | \$ 718,218                                      | \$ 311,702                        | \$ 4,796,423               | \$ -                        |      |
| Restatements   | -   | -                                 | -                          | -                           | -    |
| Beginning of year, as restated                               | 718,218   | 311,702                           | 4,796,423                  | -                           |      |
| Net change in fund balances                                  | <u>253,558</u>                                  | <u>226,399</u>                    | <u>1,605,327</u>           | <u>-</u>                    |      |
| <b>End of Year</b>   | <b><u>\$ 971,776</u></b>                        | <b><u>\$ 538,101</u></b>          | <b><u>\$ 6,401,750</u></b> | <b><u>\$ -</u></b>          |      |

(Continued)

**Special Revenue Funds**

| <b>Used Oil<br/>Recycling</b> | <b>Storm Water<br/>Maintenance</b> | <b>ASES<br/>Program<br/>Grants</b> | <b>CFD #4M</b>   |
|-------------------------------|------------------------------------|------------------------------------|------------------|
| \$ - 54,974                   | \$ - 382,518                       | \$ - 6,772,900                     | \$ - 43,190      |
| -                             | -                                  | -                                  | 3,126            |
| -                             | -                                  | -                                  | 1,081            |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| <b>54,974</b>                 | <b>382,518</b>                     | <b>6,776,026</b>                   | <b>44,271</b>    |
|                               |                                    |                                    |                  |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | 6,792,303                          | -                |
| 54,974                        | 445,409                            | -                                  | 30,747           |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| <b>54,974</b>                 | <b>445,409</b>                     | <b>6,792,303</b>                   | <b>30,747</b>    |
|                               |                                    |                                    |                  |
| -                             | (62,891)                           | (16,277)                           | 13,524           |
|                               |                                    |                                    |                  |
| -                             | 50,000                             | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| -                             | -                                  | -                                  | -                |
| <b>-</b>                      | <b>50,000</b>                      | <b>-</b>                           | <b>-</b>         |
| <b>\$ -</b>                   | <b>\$ (12,891)</b>                 | <b>\$ (16,277)</b>                 | <b>\$ 13,524</b> |
|                               |                                    |                                    |                  |
| \$ -                          | \$ (135,260)                       | \$ 18,906                          | \$ 57,571        |
|                               |                                    |                                    |                  |
| -                             | -                                  | -                                  | -                |
| -                             | (135,260)                          | 18,906                             | 57,571           |
| -                             | (12,891)                           | (16,277)                           | 13,524           |
| <b>\$ -</b>                   | <b>\$ (148,151)</b>                | <b>\$ 2,629</b>                    | <b>\$ 71,095</b> |

**Revenues:**

- Taxes
  - Other taxes
  - Intergovernmental
  - Charges for services
  - Use of money and property
  - Contributions
  - Contributions from Successor Agency
  - Miscellaneous

**Total Revenues**

**Expenditures:**

- Current:
  - General government
  - Public safety
  - Community development
  - Community and cultural
  - Public works
  - Capital outlay
- Debt service:
  - Principal retirement
  - Interest and fiscal charges
  - Bond issuance costs

**Total Expenditures**

Excess (Deficiency) of Revenues  
Over (Under) Expenditures

**Other Financing Sources (Uses):**

- Transfers in
- Transfers out
- Refunding bonds issued
- Other debt issued
- Bond premium/(discount)

**Total Other Financing Sources  
(Uses)**

Net Change in Fund Balances

**Fund Balances:**

Beginning of year, as originally reported

Restatements

Beginning of year, as restated

Net change in fund balances

**End of Year**

**City of Moreno Valley**

**Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014**

| <b>Special Revenue Funds</b>                                 |                                |                        |  |  |               |      |
|--|--------------------------------|------------------------|--|--|---------------|------|
|  | <b>Prop 42<br/>Replacement</b> | <b>Civil Penalties</b> | <b>Emergency<br/>Services<br/>Agency Fines</b> | <b>Energy<br/>Efficiency<br/>Revolving</b> |               |      |
| <b>Revenues:</b>   |                                |                        |  |  |               |      |
| Taxes  |                                |                        |  |  |               |      |
| Other taxes  | \$ -                           | \$ -                   | \$ -   | \$ -                                       | \$ -          | \$ - |
| Intergovernmental  | -                              | -                      | -  | 61,441                                     | -             | -    |
| Charges for services   | -                              | -                      | -  | -  | -             | -    |
| Use of money and property                                    | -                              | 4,270                  | 5,799  | -  | -             | -    |
| Contributions  | -                              | -                      | -  | -  | -             | -    |
| Contributions from Successor Agency                          | -                              | -                      | -  | -  | -             | -    |
| Miscellaneous  | -                              | 12,958                 | -  | 46,188                                     | -             | -    |
| <b>Total Revenues</b>  | <b>-</b>                       | <b>17,228</b>          | <b>67,240</b>                                  | <b>46,188</b>                              |               |      |
| <b>Expenditures:</b>   |                                |                        |  |  |               |      |
| Current:   |                                |                        |  |  |               |      |
| General government   | -                              | 68                     | -  | -  | -             | -    |
| Public safety  | -                              | -                      | -  | 65,565                                     | -             | -    |
| Community development  | -                              | 14,075                 | -  | -  | -             | -    |
| Community and cultural                                       | -                              | -                      | -  | -  | -             | -    |
| Public works   | -                              | -                      | -  | -  | -             | -    |
| Capital outlay   | 843,310                        | -                      | -  | -  | -             | -    |
| Debt service:  |                                |                        |  |  |               |      |
| Principal retirement   | -                              | -                      | -  | -  | -             | -    |
| Interest and fiscal charges                                  | -                              | -                      | -  | -  | -             | -    |
| Bond issuance costs  | -                              | -                      | -  | -  | -             | -    |
| <b>Total Expenditures</b>                                    | <b>843,310</b>                 | <b>14,143</b>          | <b>65,565</b>                                  | <b>-</b>                                   |               |      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (843,310)                      | 3,085                  | 1,675  | 46,188                                     |               |      |
| <b>Other Financing Sources (Uses):</b>                       |                                |                        |  |  |               |      |
| Transfers in   | -                              | -                      | -  | -  | 59,756        | -    |
| Transfers out  | -                              | -                      | -  | -  | -             | -    |
| Refunding bonds issued                                       | -                              | -                      | -  | -  | -             | -    |
| Other debt issued  | -                              | -                      | -  | -  | -             | -    |
| Bond premium/(discount)                                      | -                              | -                      | -  | -  | -             | -    |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>-</b>                       | <b>-</b>               | <b>-</b>                                       | <b>-</b>                                   | <b>59,756</b> |      |
| Net Change in Fund Balances                                  | \$ (843,310)                   | \$ 3,085               | \$ 1,675                                       | \$ 105,944                                 |               |      |
| <b>Fund Balances:</b>  |                                |                        |  |  |               |      |
| Beginning of year, as originally reported                    | \$ 843,310                     | \$ 242,183             | \$ 326,561                                     | \$ -                                       |               |      |
| Restatements   | -                              | -                      | -  | -  |               |      |
| Beginning of year, as restated                               | 843,310                        | 242,183                | 326,561  | -  |               |      |
| Net change in fund balances                                  | (843,310)                      | 3,085                  | 1,675  | 105,944                                    |               |      |
| <b>End of Year</b>   | <b>\$ -</b>                    | <b>\$ 245,268</b>      | <b>\$ 328,236</b>                              | <b>\$ 105,944</b>                          |               |      |

(Continued)

**Capital Projects Funds**

| Facility Construction | Public Works Capital Projects | Traffic Signal Mitigation | Fire Services Capital Projects |   |
|-----------------------|-------------------------------|---------------------------|--------------------------------|---|
| \$ -                  | \$ -                          | \$ -                      | \$ -                           |   |
| -                     | 2,885,308                     | -                         | -                              |   |
| -                     | -                             | -                         | -                              |   |
| -                     | -                             | -                         | -                              |   |
| -                     | -                             | -                         | -                              |   |
| -                     | -                             | -                         | -                              |   |
| 674                   | 189,558                       | -                         | 142                            |   |
| <b>674</b>            | <b>3,074,866</b>              | <b>-</b>                  | <b>142</b>                     |   |
|                       |                               |                           |                                | <b>Revenues:</b>  |
|                       |                               |                           |                                | Taxes   |
|                       |                               |                           |                                | - Other taxes   |
|                       |                               |                           |                                | - Intergovernmental                                       |
|                       |                               |                           |                                | - Charges for services                                    |
|                       |                               |                           |                                | - Use of money and property                               |
|                       |                               |                           |                                | - Contributions   |
|                       |                               |                           |                                | - Contributions from Successor Agency                     |
|                       |                               |                           |                                | Miscellaneous   |
|                       |                               |                           |                                | <b>Total Revenues</b>                                     |
|                       |                               |                           |                                | <b>Expenditures:</b>                                      |
|                       |                               |                           |                                | Current:  |
|                       |                               |                           |                                | - General government                                      |
|                       |                               |                           |                                | - Public safety   |
|                       |                               |                           |                                | - Community development                                   |
|                       |                               |                           |                                | - Community and cultural                                  |
|                       |                               |                           |                                | - Public works  |
|                       |                               |                           |                                | Capital outlay  |
|                       |                               |                           |                                | Debt service:   |
|                       |                               |                           |                                | - Principal retirement                                    |
|                       |                               |                           |                                | - Interest and fiscal charges                             |
|                       |                               |                           |                                | - Bond issuance costs                                     |
| <b>766,825</b>        | <b>5,132,338</b>              | <b>-</b>                  | <b>287,873</b>                 | <b>Total Expenditures</b>                                 |
| <b>766,825</b>        | <b>5,132,338</b>              | <b>-</b>                  | <b>287,873</b>                 | Excess (Deficiency) of Revenues Over (Under) Expenditures |
| <b>(766,151)</b>      | <b>(2,057,472)</b>            | <b>-</b>                  | <b>(287,731)</b>               | <b>Other Financing Sources (Uses):</b>                    |
| 6,500,000             | -                             | -                         | 900,000                        | Transfers in  |
| -                     | (4,754,032)                   | -                         | (383,000)                      | Transfers out   |
| -                     | -                             | -                         | -                              | Refunding bonds issued                                    |
| -                     | -                             | -                         | -                              | Other debt issued   |
| -                     | -                             | -                         | -                              | Bond premium/(discount)                                   |
| <b>6,500,000</b>      | <b>(4,754,032)</b>            | <b>-</b>                  | <b>517,000</b>                 | <b>Total Other Financing Sources (Uses)</b>               |
| <b>\$ 5,733,849</b>   | <b>\$ (6,811,504)</b>         | <b>\$ -</b>               | <b>\$ 229,269</b>              | Net Change in Fund Balances                               |
| \$ (271,900)          | \$ 6,715,298                  | \$ 137,578                | \$ 377,772                     | <b>Fund Balances:</b>                                     |
| -                     | 2,424,819                     | -                         | -                              | Beginning of year, as originally reported                 |
| (271,900)             | 9,140,117                     | 137,578                   | 377,772                        | Restatements  |
| 5,733,849             | (6,811,504)                   | -                         | 229,269                        | Beginning of year, as restated                            |
| <b>\$ 5,461,949</b>   | <b>\$ 2,328,613</b>           | <b>\$ 137,578</b>         | <b>\$ 607,041</b>              | Net change in fund balances                               |
|                       |                               |                           |                                | <b>End of Year</b>  |

**City of Moreno Valley**

**Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014**

|  | <b>Capital Projects Funds</b>                    |   |   |                       | <b>Parks and<br/>Community<br/>Services<br/>Capital<br/>Projects</b> |
|--|--|---|---|-----------------------|--|
|  | <b>Towngate<br/>Capital /<br/>Administration</b> | <b>Warner Ranch<br/>Capital /<br/>Development</b> | <b>Auto Mall<br/>Capital /<br/>Administration</b> | <b>Total Revenues</b> |  |
| <b>Revenues:</b>   |  |   |   |                       |  |
| Taxes  |  |   |   |                       |  |
| Other taxes  | \$ -   | \$ -  | \$ -  | \$ -                  | \$ -   |
| Intergovernmental  | -  | -   | -   | -                     | -  |
| Charges for services   | -  | -   | -   | -                     | -  |
| Use of money and property                                    | -  | -   | -   | -                     | -  |
| Contributions  | -  | -   | -   | -                     | -  |
| Contributions from Successor Agency                          | -  | -   | -   | -                     | -  |
| Miscellaneous  | -  | -   | -   | -                     | -  |
| <b>Total Revenues</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>              | <b>-</b>   |
| <b>Expenditures:</b>   |  |   |   |                       |  |
| Current:   |  |   |   |                       |  |
| General government   | -  | -   | -   | -                     | -  |
| Public safety  | -  | -   | -   | -                     | -  |
| Community development  | -  | -   | -   | -                     | -  |
| Community and cultural                                       | -  | -   | -   | -                     | -  |
| Public works   | 177,536  | -   | 6,391   | -                     | -  |
| Capital outlay   | -  | -   | -   | -                     | 481,413  |
| Debt service:  |  |   |   |                       |  |
| Principal retirement   | -  | -   | -   | -                     | -  |
| Interest and fiscal charges                                  | -  | -   | -   | -                     | -  |
| Bond issuance costs  | -  | -   | -   | -                     | -  |
| <b>Total Expenditures</b>                                    | <b>177,536</b>                                   | <b>-</b>  | <b>6,391</b>                                      | <b>481,413</b>        |  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <b>(177,536)</b>                                 | <b>-</b>  | <b>(6,391)</b>                                    | <b>(481,413)</b>      |  |
| <b>Other Financing Sources (Uses):</b>                       |  |   |   |                       |  |
| Transfers in   | 177,536  | -   | 6,391   | 1,308,000             |  |
| Transfers out  | -  | -   | -   | (881,426)             |  |
| Refunding bonds issued                                       | -  | -   | -   | -                     |  |
| Other debt issued  | -  | -   | -   | -                     |  |
| Bond premium/(discount)                                      | -  | -   | -   | -                     |  |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>177,536</b>                                   | <b>-</b>  | <b>6,391</b>                                      | <b>426,574</b>        |  |
| Net Change in Fund Balances                                  | <b>\$ -</b>                                      | <b>\$ -</b>                                       | <b>\$ -</b>                                       | <b>\$ (54,839)</b>    |  |
| <b>Fund Balances:</b>  |  |   |   |                       |  |
| Beginning of year, as originally reported                    | \$ -   | \$ 13,673   | \$ -  | \$ 4,414,953          |  |
| Restatements   | -  | -   | -   | -                     | -  |
| Beginning of year, as restated                               | -  | 13,673  | -   | 4,414,953             |  |
| Net change in fund balances                                  | -  | -   | -   | (54,839)              |  |
| <b>End of Year</b>   | <b>\$ -</b>                                      | <b>\$ 13,673</b>                                  | <b>\$ -</b>                                       | <b>\$ 4,360,114</b>   |  |

(Continued)

| Capital Projects Funds |                       |   |  |        |          |
|------------------------|-----------------------|---|--|--------|----------|
| TUMF Capital Projects  | DIF Capital Projects  | Lease Revenue Bonds 2005 Capital Projects | 2007 Tax Allocation Bonds Capital Projects |        |          |
| \$ - 364,929           | \$ - 532,437          | \$ - -                                    | \$ - -                                     | \$ - - | \$ - -   |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - 35,822                                   | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - 1,567               | - -                                       | - -  | - -    | - -      |
| <b>364,929</b>         | <b>534,004</b>        |   | <b>35,822</b>                              |        |          |
|                        |                       |   |  |        |          |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| 378,328                | 2,503,409             | 222,342                                   | 9,333,926                                  |        |          |
|                        |                       |   |  |        |          |
| <b>378,328</b>         | <b>2,503,409</b>      | <b>222,342</b>                            | <b>9,333,926</b>                           |        |          |
|                        |                       |   |  |        |          |
| (13,399)               | (1,969,405)           | (222,342)                                 | (9,298,104)                                |        |          |
|                        |                       |   |  |        |          |
| - -                    | 357,000               | - -                                       | - -  | - -    | - -      |
| - -                    | (220,000)             | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| - -                    | - -                   | - -                                       | - -  | - -    | - -      |
| <b>-</b>               | <b>137,000</b>        |   | <b>-</b>                                   |        | <b>-</b> |
| <b>\$ (13,399)</b>     | <b>\$ (1,832,405)</b> | <b>\$ (222,342)</b>                       | <b>\$ (9,298,104)</b>                      |        |          |
|                        |                       |   |  |        |          |
| <b>\$ (199,951)</b>    | <b>\$ 4,828,226</b>   | <b>\$ 416,428</b>                         | <b>\$ 9,298,104</b>                        |        |          |
|                        |                       |   |  |        |          |
| <b>-</b>               | <b>-</b>              | <b>-</b>                                  | <b>-</b>                                   |        | <b>-</b> |
| <b>(199,951)</b>       | <b>4,828,226</b>      | <b>416,428</b>                            | <b>9,298,104</b>                           |        |          |
| <b>(13,399)</b>        | <b>(1,832,405)</b>    | <b>(222,342)</b>                          | <b>(9,298,104)</b>                         |        |          |
| <b>\$ (213,350)</b>    | <b>\$ 2,995,821</b>   | <b>\$ 194,086</b>                         | <b>\$ -</b>                                |        |          |

#### Revenues:

- Taxes
  - Other taxes
  - Intergovernmental
  - Charges for services
  - Use of money and property
  - Contributions
  - Contributions from Successor Agency
  - Miscellaneous

#### Total Revenues

#### Expenditures:

- Current:
  - General government
  - Public safety
  - Community development
  - Community and cultural
  - Public works
- Capital outlay
- Debt service:
  - Principal retirement
  - Interest and fiscal charges
  - Bond issuance costs

#### Total Expenditures

Excess (Deficiency) of Revenues  
Over (Under) Expenditures

#### Other Financing Sources (Uses):

- Transfers in
- Transfers out
- Refunding bonds issued
- Other debt issued
- Bond premium/(discount)

#### Total Other Financing Sources (Uses)

Net Change in Fund Balances

#### Fund Balances:

Beginning of year, as originally reported

Restatements

Beginning of year, as restated  
Net change in fund balances

#### End of Year

**City of Moreno Valley**

**Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014**

|  | <b>Capital Projects<br/>Funds</b> |  | <b>Debt Service Funds</b>                                |  |                   |  |
|--|-----------------------------------|--|--|--|-------------------|--|
|  | <b>TRIP Capital<br/>Projects</b>  | <b>Auto Mall<br/>Special Tax<br/>Bonds</b> | <b>Lease<br/>Revenue<br/>Bonds 2005<br/>Debt Service</b> | <b>2007<br/>Towngate<br/>Improvement<br/>Refunding</b> |                   |  |
| <b>Revenues:</b>   |                                   |  |  |  |                   |  |
| Taxes  |                                   |  |  |  |                   |  |
| Other taxes  | \$ -                              | \$ -                                       | \$ -   | \$ -   | \$ 117,164        |  |
| Intergovernmental  | -                                 | -  | -  | -  | -                 |  |
| Charges for services   | -                                 | -  | -  | -  | -                 |  |
| Use of money and property                                    | 5,706                             | 2  | 313  |  | 59                |  |
| Contributions  | -                                 | -  | -  | -  | -                 |  |
| Contributions from Successor Agency                          | -                                 | -  | -  | -  | 277,181           |  |
| Miscellaneous  | 917                               | -  | -  | -  | -                 |  |
| <b>Total Revenues</b>  | <b>6,623</b>                      | <b>2</b>                                   | <b>313</b>   |  | <b>394,404</b>    |  |
| <b>Expenditures:</b>   |                                   |  |  |  |                   |  |
| Current:   |                                   |  |  |  |                   |  |
| General government   | -                                 | -  | 2,525  |  | -                 |  |
| Public safety  | -                                 | -  | -  |  | -                 |  |
| Community development  | -                                 | -  | -  |  | -                 |  |
| Community and cultural                                       | -                                 | -  | -  |  | -                 |  |
| Public works   | -                                 | -  | -  |  | -                 |  |
| Capital outlay   | 1,439,489                         | -  | -  |  | -                 |  |
| Debt service:  |                                   |  |  |  |                   |  |
| Principal retirement   | -                                 | 105,000                                    | 11,915,000   |  | 220,000           |  |
| Interest and fiscal charges                                  | -                                 | 3,938                                      | 1,724,040  |  | 135,009           |  |
| Bond issuance costs  | -                                 | -  | -  |  | -                 |  |
| <b>Total Expenditures</b>                                    | <b>1,439,489</b>                  | <b>108,938</b>                             | <b>13,641,565</b>  |  | <b>355,009</b>    |  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (1,432,866)                       | (108,936)                                  | (13,641,252)   |  | 39,395            |  |
| <b>Other Financing Sources (Uses):</b>                       |                                   |  |  |  |                   |  |
| Transfers in   | -                                 | 190,176                                    | 13,191,230   |  | -                 |  |
| Transfers out  | (1,926,110)                       | (6,391)                                    | -  |  | (30,972)          |  |
| Refunding bonds issued                                       | -                                 | -  | -  |  | -                 |  |
| Other debt issued  | 20,000,000                        | -  | -  |  | -                 |  |
| Bond premium/(discount)                                      | -                                 | -  | -  |  | -                 |  |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>18,073,890</b>                 | <b>183,785</b>                             | <b>13,191,230</b>  |  | <b>(30,972)</b>   |  |
| Net Change in Fund Balances                                  | \$ 16,641,024                     | \$ 74,849                                  | \$ (450,022)   |  | \$ 8,423          |  |
| <b>Fund Balances:</b>  |                                   |  |  |  |                   |  |
| Beginning of year, as originally reported                    | \$ -                              | \$ (74,849)                                | \$ 8,805,029   |  | \$ 839,054        |  |
| Restatements   | -                                 | -  | -  |  | -                 |  |
| Beginning of year, as restated                               | -                                 | (74,849)                                   | 8,805,029  |  | 839,054           |  |
| Net change in fund balances                                  | 16,641,024                        | 74,849                                     | (450,022)  |  | 8,423             |  |
| <b>End of Year</b>   | <b>\$ 16,641,024</b>              | <b>\$ -</b>                                | <b>\$ 8,355,007</b>                                      |  | <b>\$ 847,477</b> |  |

(Continued)

| Debt Service Funds   |   |                                       |                              |          |      |      |
|--|---|---------------------------------------|------------------------------|----------|------|------|
| 2007<br>Towngate<br>Refunding                                | 2011 Priv<br>Placement Ref<br>97 Lease Rev<br>Bonds | 2011 Priv<br>Placement Ref<br>97 COPs | TRIP COP 13A<br>Debt Service |          |      |      |
| \$ -   | \$ -  | \$ -                                  | \$ -                         | \$ -     | \$ - | \$ - |
| -  | -   | -                                     | -                            | -        | -    | -    |
| -  | -   | -                                     | -                            | -        | -    | -    |
| 231  | -   | -                                     | -                            | 5        | -    | -    |
| -  | -   | -                                     | -                            | -        | -    | -    |
| 1,182,347  | 150,000   | -                                     | -                            | -        | -    | -    |
| -  | -   | -                                     | -                            | -        | -    | -    |
| <b>1,182,578</b>   | <b>150,000</b>                                      |                                       |                              | <b>5</b> |      |      |
| <b>Revenues:</b>   |   |                                       |                              |          |      |      |
| Taxes  |   |                                       |                              |          |      |      |
| Other taxes  |   |                                       |                              |          |      |      |
| Intergovernmental  |   |                                       |                              |          |      |      |
| Charges for services   |   |                                       |                              |          |      |      |
| Use of money and property                                    |   |                                       |                              |          |      |      |
| Contributions  |   |                                       |                              |          |      |      |
| Contributions from Successor Agency                          |   |                                       |                              |          |      |      |
| Miscellaneous  |   |                                       |                              |          |      |      |
| <b>Total Revenues</b>  |   |                                       |                              |          |      |      |
| <b>Expenditures:</b>   |   |                                       |                              |          |      |      |
| Current:   |   |                                       |                              |          |      |      |
| General government   |   |                                       |                              |          |      |      |
| Public safety  |   |                                       |                              |          |      |      |
| Community development  |   |                                       |                              |          |      |      |
| Community and cultural                                       |   |                                       |                              |          |      |      |
| Public works   |   |                                       |                              |          |      |      |
| Capital outlay   |   |                                       |                              |          |      |      |
| Debt service:  |   |                                       |                              |          |      |      |
| Principal retirement   |   |                                       |                              |          |      |      |
| Interest and fiscal charges                                  |   |                                       |                              |          |      |      |
| Bond issuance costs  |   |                                       |                              |          |      |      |
| <b>Total Expenditures</b>                                    |   |                                       |                              |          |      |      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures |   |                                       |                              |          |      |      |
| <b>Other Financing Sources (Uses):</b>                       |   |                                       |                              |          |      |      |
| Transfers in   |   |                                       |                              |          |      |      |
| Transfers out  |   |                                       |                              |          |      |      |
| Refunding bonds issued                                       |   |                                       |                              |          |      |      |
| Other debt issued  |   |                                       |                              |          |      |      |
| Bond premium/(discount)                                      |   |                                       |                              |          |      |      |
| <b>Total Other Financing Sources<br/>(Uses)</b>              |   |                                       |                              |          |      |      |
| Net Change in Fund Balances                                  |   |                                       |                              |          |      |      |
| <b>Fund Balances:</b>  |   |                                       |                              |          |      |      |
| Beginning of year, as originally reported                    |   |                                       |                              |          |      |      |
| Restatements   |   |                                       |                              |          |      |      |
| Beginning of year, as restated                               |   |                                       |                              |          |      |      |
| Net change in fund balances                                  |   |                                       |                              |          |      |      |
| <b>End of Year</b>   |   |                                       |                              |          |      |      |

**City of Moreno Valley**

**Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014**

|  | Debt Service<br>Funds                       |                                  | Permanent Funds                  |                                |      |
|--|---|----------------------------------|----------------------------------|--------------------------------|------|
|  | 2013  |                                  |                                  |                                |      |
|  | Refunding<br>2005 Lease<br>Revenue<br>Bonds | Celebration<br>Park<br>Endowment | Equestrian<br>Trail<br>Endowment | Rockridge<br>Park<br>Endowment |      |
| <b>Revenues:</b>   |   |                                  |                                  |                                |      |
| Taxes  |   |                                  |                                  |                                |      |
| Other taxes  | \$ -  | \$ -                             | \$ -                             | \$ -                           | \$ - |
| Intergovernmental  | -   | -                                | -                                | -                              | -    |
| Charges for services   | -   | -                                | -                                | -                              | -    |
| Use of money and property                                    | -   | 1,092                            | 217                              | 2,008                          |      |
| Contributions  | -   | -                                | -                                | -                              | -    |
| Contributions from Successor Agency                          | -   | -                                | -                                | -                              | -    |
| Miscellaneous  | -   | -                                | -                                | -                              | -    |
| <b>Total Revenues</b>  | <b>-</b>                                    | <b>1,092</b>                     | <b>217</b>                       | <b>2,008</b>                   |      |
| <b>Expenditures:</b>   |   |                                  |                                  |                                |      |
| Current:   |   |                                  |                                  |                                |      |
| General government   | -   | -                                | -                                | -                              | -    |
| Public safety  | -   | -                                | -                                | -                              | -    |
| Community development  | -   | -                                | -                                | -                              | -    |
| Community and cultural                                       | -   | -                                | 429                              | -                              | -    |
| Public works   | -   | -                                | -                                | -                              | -    |
| Capital outlay   | -   | -                                | -                                | -                              | -    |
| Debt service:  |   |                                  |                                  |                                |      |
| Principal retirement   | -   | -                                | -                                | -                              | -    |
| Interest and fiscal charges                                  | 167,665                                     | -                                | -                                | -                              | -    |
| Bond issuance costs  | 239,010                                     | -                                | -                                | -                              | -    |
| <b>Total Expenditures</b>                                    | <b>406,675</b>                              | <b>-</b>                         | <b>429</b>                       | <b>-</b>                       |      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <b>(406,675)</b>                            | <b>1,092</b>                     | <b>(212)</b>                     | <b>2,008</b>                   |      |
| <b>Other Financing Sources (Uses):</b>                       |   |                                  |                                  |                                |      |
| Transfers in   | -   | -                                | -                                | -                              | -    |
| Transfers out  | (11,087,670)                                | -                                | -                                | -                              | -    |
| Refunding bonds issued                                       | 10,454,230                                  | -                                | -                                | -                              | -    |
| Other debt issued  | -   | -                                | -                                | -                              | -    |
| Bond premium/(discount)                                      | 1,040,115                                   | -                                | -                                | -                              | -    |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>406,675</b>                              | <b>-</b>                         | <b>-</b>                         | <b>-</b>                       |      |
| Net Change in Fund Balances                                  | <b>\$ -</b>                                 | <b>\$ 1,092</b>                  | <b>\$ (212)</b>                  | <b>\$ 2,008</b>                |      |
| <b>Fund Balances:</b>  |   |                                  |                                  |                                |      |
| Beginning of year, as originally reported                    | \$ -  | \$ 60,252                        | \$ 12,191                        | \$ 104,334                     |      |
| Restatements   | -   | -                                | -                                | -                              | -    |
| Beginning of year, as restated                               | -   | 60,252                           | 12,191                           | 104,334                        |      |
| Net change in fund balances                                  | -   | 1,092                            | (212)                            | 2,008                          |      |
| <b>End of Year</b>   | <b>\$ -</b>                                 | <b>\$ 61,344</b>                 | <b>\$ 11,979</b>                 | <b>\$ 106,342</b>              |      |

**Permanent Funds**

| NPDES<br>Endowment | Cultural<br>Preservation | Total Nonmajor<br>Governmental<br>Funds |
|--------------------|--------------------------|---|
| \$ -               | \$ -                     | \$ 117,164                              |
| -                  | -                        | 27,397,214                              |
| -                  | -                        | 2,034,556                               |
| 369                | 2,455                    | 180,727                                 |
| 17,576             | -                        | 17,576                                  |
| -                  | -                        | 1,609,528                               |
| -                  | 114,542                  | 1,260,623                               |
| <b>17,945</b>      | <b>116,997</b>           | <b>32,617,388</b>                       |
|                    |                          |   |
| -                  | -                        | 770,471                                 |
| -                  | -                        | 927,025                                 |
| -                  | -                        | 1,311,767                               |
| -                  | -                        | 7,344,250                               |
| -                  | -                        | 8,537,869                               |
| -                  | -                        | 26,721,595                              |
| -                  | -                        | 13,884,500                              |
| -                  | -                        | 3,284,958                               |
| -                  | -                        | 895,960                                 |
|                    |                          | <b>63,678,395</b>                       |
| <b>17,945</b>      | <b>116,997</b>           | <b>(31,061,007)</b>                     |
|                    |                          |   |
| -                  | -                        | 26,570,636                              |
| (653)              | -                        | (22,888,073)                            |
| -                  | -                        | 10,454,230                              |
| -                  | -                        | 20,000,000                              |
| -                  | -                        | 905,166                                 |
| <b>(653)</b>       | <b>-</b>                 | <b>35,041,959</b>                       |
| <b>\$ 17,292</b>   | <b>\$ 116,997</b>        | <b>\$ 3,980,952</b>                     |
|                    |                          |   |
| \$ 14,869          | \$ -                     | \$ 58,714,128                           |
| -                  | -                        | 3,002,796                               |
| 14,869             | -                        | 61,716,924                              |
| 17,292             | 116,997                  | 3,980,952                               |
| <b>\$ 32,161</b>   | <b>\$ 116,997</b>        | <b>\$ 65,697,876</b>                    |

**Revenues:**

Taxes

- Other taxes
- Intergovernmental
- Charges for services
- Use of money and property
- Contributions
- Contributions from Successor Agency
- Miscellaneous

**Total Revenues**

**Expenditures:**

Current:

- General government
- Public safety
- Community development
- Community and cultural
- Public works
- Capital outlay

Debt service:

- Principal retirement
- Interest and fiscal charges
- Bond issuance costs

**Total Expenditures**

Excess (Deficiency) of Revenues  
Over (Under) Expenditures

**Other Financing Sources (Uses):**

- Transfers in
- Transfers out
- Refunding bonds issued
- Other debt issued
- Bond premium/(discount)

**Total Other Financing Sources  
(Uses)**

Net Change in Fund Balances

**Fund Balances:**

Beginning of year, as originally reported

Restatements

Beginning of year, as restated

Net change in fund balances

**End of Year**

**City of Moreno Valley**

**Budgetary Comparison Schedule  
State Gasoline Tax  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>     |                           |   |
| <b>Revenues:</b>   |                       |                  |                           |   |
| Intergovernmental  | \$ 5,042,755          | \$ 5,042,755     | \$ 6,146,513              | \$ 1,103,758  |
| Use of money and property                                    | 1,000                 | 1,000            | (47,519)                  | (48,519)  |
| Miscellaneous  | 21,000                | 21,000           | 19,729                    | (1,271)   |
| <b>Total Revenues</b>  | <b>5,064,755</b>      | <b>5,064,755</b> | <b>6,118,723</b>          | <b>1,053,968</b>  |
| <b>Expenditures:</b>   |                       |                  |                           |   |
| Current:   |                       |                  |                           |   |
| Public works   | 5,332,697             | 5,710,352        | 5,885,902                 | (175,550)   |
| Capital outlay   | 4,500,000             | 128,702          | 113,882                   | 14,820  |
| <b>Total Expenditures</b>                                    | <b>9,832,697</b>      | <b>5,839,054</b> | <b>5,999,784</b>          | <b>(160,730)</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (4,767,942)           | (774,299)        | 118,939                   | 893,238   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                  |                           |   |
| Transfers in   | 160,000               | 1,294,211        | 1,294,211                 | -   |
| Transfers out  | -                     | (50,000)         | (50,000)                  | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>160,000</b>        | <b>1,244,211</b> | <b>1,244,211</b>          | <b>-</b>  |
| Net Change in Fund Balances                                  | (4,607,942)           | 469,912          | 1,363,150                 | 893,238   |
| Fund Balance, Beginning of Year                              | (392,596)             | (392,596)        | (392,596)                 | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (5,000,538)</b> | <b>\$ 77,316</b> | <b>\$ 970,554</b>         | <b>\$ 893,238</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Article 3 Transportation**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|--|-----------------------|----------------|-----------------------|-----------------------------------|
|  | <b>Original</b>       | <b>Final</b>   |                       | <b>Positive (Negative)</b>        |
| <b>Revenues:</b>   |                       |                |                       |                                   |
| Intergovernmental  | \$ 150,000            | \$ 470,385     | \$ 216,285            | \$ (254,100)                      |
| <b>Total Revenues</b>  | <b>150,000</b>        | <b>470,385</b> | <b>216,285</b>        | <b>(254,100)</b>                  |
| <b>Expenditures:</b>   |                       |                |                       |                                   |
| Capital outlay   | -                     | 470,385        | 216,285               | 254,100                           |
| <b>Total Expenditures</b>                                    | <b>-</b>              | <b>470,385</b> | <b>216,285</b>        | <b>254,100</b>                    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 150,000               | -              | -                     | -                                 |
| <b>Net Change in Fund Balances</b>                           | <b>150,000</b>        | <b>-</b>       | <b>-</b>              | <b>-</b>                          |
| Fund Balance, Beginning of Year                              | -                     | -              | -                     | -                                 |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 150,000</b>     | <b>\$ -</b>    | <b>\$ -</b>           | <b>\$ -</b>                       |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Measure A**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|---------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>        |                           |   |
| <b>Revenues:</b>   |                       |                     |                           |   |
| Intergovernmental  | \$ 9,032,955          | \$ 9,649,857        | \$ 5,099,438              | \$ (4,550,419)  |
| Use of money and property                                    | 102,500               | 102,500             | 158,954                   | 56,454  |
| Miscellaneous  | 1,000                 | 74,000              | 6,192                     | (67,808)  |
| <b>Total Revenues</b>  | <b>9,136,455</b>      | <b>9,826,357</b>    | <b>5,264,584</b>          | <b>(4,561,773)</b>  |
| <b>Expenditures:</b>   |                       |                     |                           |   |
| Current:   |                       |                     |                           |   |
| Public works   | 1,361,795             | 1,426,025           | 545,957                   | 880,068   |
| Capital outlay   | 3,808,000             | 14,545,044          | 3,408,130                 | 11,136,914  |
| Debt service:  |                       |                     |                           |   |
| Interest and fiscal charges                                  | -                     | 13,950              | 11,653                    | 2,297   |
| <b>Total Expenditures</b>                                    | <b>5,169,795</b>      | <b>15,985,019</b>   | <b>3,965,740</b>          | <b>12,019,279</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 3,966,660             | (6,158,662)         | 1,298,844                 | 7,457,506   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                     |                           |   |
| Transfers in   | 424,939               | 424,939             | 15,274                    | (409,665)   |
| Transfers out  | -                     | (3,398,992)         | (3,401,255)               | (2,263)   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>424,939</b>        | <b>(2,974,053)</b>  | <b>(3,385,981)</b>        | <b>(411,928)</b>  |
| Net Change in Fund Balances                                  | 4,391,599             | (9,132,715)         | (2,087,137)               | 7,045,578   |
| Fund Balance, Beginning of Year as Restated                  | 11,371,778            | 11,371,778          | 11,371,778                | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 15,763,377</b>  | <b>\$ 2,239,063</b> | <b>\$ 9,284,641</b>       | <b>\$ 7,045,578</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Law Enforcement  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                 | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|-----------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>    |                           |   |
|  |                       |                 |                           |   |
| <b>Revenues:</b>   |                       |                 |                           |   |
| Intergovernmental  | \$ 102,200            | \$ 675,014      | \$ 595,620                | \$ (79,394)   |
| <b>Total Revenues</b>  | <b>102,200</b>        | <b>675,014</b>  | <b>595,620</b>            | <b>(79,394)</b>   |
| <b>Expenditures:</b>   |                       |                 |                           |   |
| Current:   |                       |                 |                           |   |
| Public safety  | 165,805               | 675,713         | 597,620                   | 78,093  |
| <b>Total Expenditures</b>                                    | <b>165,805</b>        | <b>675,713</b>  | <b>597,620</b>            | <b>78,093</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (63,605)              | (699)           | (2,000)                   | (1,301)   |
| Net Change in Fund Balances                                  | (63,605)              | (699)           | (2,000)                   | (1,301)   |
| Fund Balance, Beginning of Year                              | 2,000                 | 2,000           | 2,000                     | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (61,605)</b>    | <b>\$ 1,301</b> | <b>\$ -</b>               | <b>\$ (1,301)</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Other Grants**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|----------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>   |                           |   |
|  |                       |                |                           |   |
| <b>Revenues:</b>   |                       |                |                           |   |
| Intergovernmental  | \$ 159,000            | \$ 532,138     | \$ 370,967                | \$ (161,171)  |
| <b>Total Revenues</b>  | <b>159,000</b>        | <b>532,138</b> | <b>370,967</b>            | <b>(161,171)</b>  |
| <b>Expenditures:</b>   |                       |                |                           |   |
| Current:   |                       |                |                           |   |
| General government   | -                     | 30,000         | 368                       | 29,632  |
| Public safety  | 74,506                | 346,218        | 263,840                   | 82,378  |
| Community development  | 29,415                | 100,920        | 70,252                    | 30,668  |
| Public works   | 55,300                | 55,000         | 36,507                    | 18,493  |
| <b>Total Expenditures</b>                                    | <b>159,221</b>        | <b>532,138</b> | <b>370,967</b>            | <b>161,171</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (221)                 | -              | -                         | -   |
| Net Change in Fund Balances                                  | (221)                 | -              | -                         | -   |
| Fund Balance, Beginning of Year                              | -                     | -              | -                         | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (221)</b>       | <b>\$ -</b>    | <b>\$ -</b>               | <b>\$ -</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Public Education Government Access  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|---------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>        |                           |   |
|  |                       |                     |                           |   |
| <b>Revenues:</b>   |                       |                     |                           |   |
| Miscellaneous  | \$ 550,000            | \$ 550,000          | \$ 565,358                | \$ 15,358   |
| <b>Total Revenues</b>  | <b>550,000</b>        | <b>550,000</b>      | <b>565,358</b>            | <b>15,358</b>   |
| <b>Expenditures:</b>   |                       |                     |                           |   |
| Current:   |                       |                     |                           |   |
| General government   | 845,570               | 914,998             | 767,510                   | 147,488   |
| Public works   | -                     | -                   | 865                       | (865)   |
| Capital outlay   | -                     | 499,889             | 500,343                   | (454)   |
| <b>Total Expenditures</b>                                    | <b>845,570</b>        | <b>1,414,887</b>    | <b>1,268,718</b>          | <b>146,169</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (295,570)             | (864,887)           | (703,360)                 | 161,527   |
| <b>Net Change in Fund Balances</b>                           | <b>(295,570)</b>      | <b>(864,887)</b>    | <b>(703,360)</b>          | <b>161,527</b>  |
| Fund Balance, Beginning of Year                              | 2,525,593             | 2,525,593           | 2,525,593                 | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 2,230,023</b>   | <b>\$ 1,660,706</b> | <b>\$ 1,822,233</b>       | <b>\$ 161,527</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Air Quality Management**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>     |                           |   |
| <b>Revenues:</b>   |                       |                  |                           |   |
| Intergovernmental  | \$ 200,000            | \$ 200,000       | \$ 244,155                | \$ 44,155   |
| Use of money and property                                    | 7,000                 | 7,000            | 1,607                     | (5,393)   |
| <b>Total Revenues</b>  | <b>207,000</b>        | <b>207,000</b>   | <b>245,762</b>            | <b>38,762</b>   |
| <b>Expenditures:</b>   |                       |                  |                           |   |
| Current:   |                       |                  |                           |   |
| Public works   | 221,448               | 230,164          | 236,985                   | (6,821)   |
| Capital outlay   | 30,000                | 153,521          | 108,663                   | 44,858  |
| <b>Total Expenditures</b>                                    | <b>251,448</b>        | <b>383,685</b>   | <b>345,648</b>            | <b>38,037</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (44,448)              | (176,685)        | (99,886)                  | 76,799  |
| Net Change in Fund Balances                                  | (44,448)              | (176,685)        | (99,886)                  | 76,799  |
| Fund Balance, Beginning of Year                              | 215,838               | 215,838          | 215,838                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 171,390</b>     | <b>\$ 39,153</b> | <b>\$ 115,952</b>         | <b>\$ 76,799</b>  |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Community Development Block Grant  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|---------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>        |                           |   |
| <b>Revenues:</b>   |                       |                     |                           |   |
| Intergovernmental  | \$ 2,575,197          | \$ 3,359,929        | \$ 2,003,634              | \$ (1,356,295)  |
| Miscellaneous  | -                     | -                   | 6,215                     | 6,215   |
| <b>Total Revenues</b>  | <b>2,575,197</b>      | <b>3,359,929</b>    | <b>2,009,849</b>          | <b>(1,350,080)</b>  |
| <b>Expenditures:</b>   |                       |                     |                           |   |
| Current:   |                       |                     |                           |   |
| Community development  | 2,575,197             | 1,573,363           | 1,194,417                 | 378,946   |
| Capital outlay   | 800,000               | 2,238,013           | 809,365                   | 1,428,648   |
| <b>Total Expenditures</b>                                    | <b>3,375,197</b>      | <b>3,811,376</b>    | <b>2,003,782</b>          | <b>1,807,594</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (800,000)             | (451,447)           | 6,067                     | 457,514   |
| Net Change in Fund Balances                                  | (800,000)             | (451,447)           | 6,067                     | 457,514   |
| Fund Balance, Beginning of Year                              | 129,769               | 129,769             | 129,769                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (670,231)</b>   | <b>\$ (321,678)</b> | <b>\$ 135,836</b>         | <b>\$ 457,514</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Special Districts Administration  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|-------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>      |                           |   |
|  |                       |                   |                           |   |
| <b>Revenues:</b>   |                       |                   |                           |   |
| Charges for services   | \$ 852,400            | \$ 797,600        | \$ 908,738                | \$ 111,138  |
| Use of money and property                                    | -                     | -                 | 4,630                     | 4,630   |
| <b>Total Revenues</b>  | <b>852,400</b>        | <b>797,600</b>    | <b>913,368</b>            | <b>115,768</b>  |
| <b>Expenditures:</b>   |                       |                   |                           |   |
| Current:   |                       |                   |                           |   |
| Public works   | 814,116               | 872,911           | 659,810                   | 213,101   |
| <b>Total Expenditures</b>                                    | <b>814,116</b>        | <b>872,911</b>    | <b>659,810</b>            | <b>213,101</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 38,284                | (75,311)          | 253,558                   | 328,869   |
| Net Change in Fund Balances                                  | 38,284                | (75,311)          | 253,558                   | 328,869   |
| Fund Balance, Beginning of Year                              | 718,218               | 718,218           | 718,218                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 756,502</b>     | <b>\$ 642,907</b> | <b>\$ 971,776</b>         | <b>\$ 328,869</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Storm Water Management**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|-------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>      |                           |   |
| <b>Revenues:</b>   |                       |                   |                           |   |
| Charges for services   | \$ 736,902            | \$ 703,802        | \$ 680,172                | \$ (23,630)   |
| Miscellaneous  | -                     | -                 | 92                        | 92  |
| <b>Total Revenues</b>  | <b>736,902</b>        | <b>703,802</b>    | <b>680,264</b>            | <b>(23,538)</b>   |
| <b>Expenditures:</b>   |                       |                   |                           |   |
| Current:   |                       |                   |                           |   |
| Public works   | 1,074,370             | 697,873           | 454,518                   | 243,355   |
| <b>Total Expenditures</b>                                    | <b>1,074,370</b>      | <b>697,873</b>    | <b>454,518</b>            | <b>243,355</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (337,468)             | 5,929             | 225,746                   | 219,817   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                   |                           |   |
| Transfers in   | 266,995               | 653               | 653                       | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>266,995</b>        | <b>653</b>        | <b>653</b>                | <b>-</b>  |
| Net Change in Fund Balances                                  | (70,473)              | 6,582             | 226,399                   | 219,817   |
| Fund Balance, Beginning of Year                              | 311,702               | 311,702           | 311,702                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 241,229</b>     | <b>\$ 318,284</b> | <b>\$ 538,101</b>         | <b>\$ 219,817</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**HOME**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|---------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>        |                           |   |
| <b>Revenues:</b>   |                       |                     |                           |   |
| Intergovernmental  | \$ 902,077            | \$ 2,487,202        | \$ 1,517,033              | \$ (970,169)  |
| Use of money and property                                    | -                     | -                   | 500                       | 500   |
| Miscellaneous  | -                     | -                   | 296,491                   | 296,491   |
| <b>Total Revenues</b>  | <b>902,077</b>        | <b>2,487,202</b>    | <b>1,814,024</b>          | <b>(673,178)</b>  |
| <b>Expenditures:</b>   |                       |                     |                           |   |
| Current:   |                       |                     |                           |   |
| Community development  | 902,077               | 964,010             | 33,023                    | 930,987   |
| Capital outlay   | -                     | 1,500,000           | 175,674                   | 1,324,326   |
| <b>Total Expenditures</b>                                    | <b>902,077</b>        | <b>2,464,010</b>    | <b>208,697</b>            | <b>2,255,313</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                     | 23,192              | 1,605,327                 | 1,582,135   |
| Net Change in Fund Balances                                  | -                     | 23,192              | 1,605,327                 | 1,582,135   |
| Fund Balance, Beginning of Year                              | 4,796,423             | 4,796,423           | 4,796,423                 | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 4,796,423</b>   | <b>\$ 4,819,615</b> | <b>\$ 6,401,750</b>       | <b>\$ 1,582,135</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Child Care Grant  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|----------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>   |                           |   |
| <b>Revenues:</b>   |                       |                |                           |   |
| Intergovernmental  | \$ 581,461            | \$ 595,056     | \$ 531,580                | \$ (63,476)   |
| Charges for services   | 25,000                | 25,000         | 19,938                    | (5,062)   |
| <b>Total Revenues</b>  | <b>606,461</b>        | <b>620,056</b> | <b>551,518</b>            | <b>(68,538)</b>   |
| <b>Expenditures:</b>   |                       |                |                           |   |
| Current:   |                       |                |                           |   |
| Community and cultural                                       | 612,761               | 620,056        | 551,518                   | 68,538  |
| <b>Total Expenditures</b>                                    | <b>612,761</b>        | <b>620,056</b> | <b>551,518</b>            | <b>68,538</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (6,300)               | -              | -                         | -   |
| Net Change in Fund Balances                                  | (6,300)               | -              | -                         | -   |
| Fund Balance, Beginning of Year                              | -                     | -              | -                         | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (6,300)</b>     | <b>\$ -</b>    | <b>\$ -</b>               | <b>\$ -</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Used Oil Recycling  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|----------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>   |                           |   |
|  |                       |                |                           |   |
| <b>Revenues:</b>   |                       |                |                           |   |
| Intergovernmental  | \$ 56,630             | \$ 103,023     | \$ 54,974                 | \$ (48,049)   |
| <b>Total Revenues</b>  | <b>56,630</b>         | <b>103,023</b> | <b>54,974</b>             | <b>(48,049)</b>   |
| <b>Expenditures:</b>   |                       |                |                           |   |
| Current:   |                       |                |                           |   |
| Public works   | 56,630                | 103,023        | 54,974                    | 48,049  |
| <b>Total Expenditures</b>                                    | <b>56,630</b>         | <b>103,023</b> | <b>54,974</b>             | <b>48,049</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                     | -              | -                         | -   |
| Net Change in Fund Balances                                  | -                     | -              | -                         | -   |
| Fund Balance, Beginning of Year                              | -                     | -              | -                         | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ -</b>           | <b>\$ -</b>    | <b>\$ -</b>               | <b>\$ -</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Storm Water Maintenance**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|-----------------------|---------------------|---------------------------|---------------------------------------|
|  | <b>Original</b>       | <b>Final</b>        |                           |                                       |
|  |                       |                     |                           |                                       |
| <b>Revenues:</b>   |                       |                     |                           |                                       |
| Charges for services   | \$ 414,000            | \$ 414,000          | \$ 382,518                | \$ (31,482)                           |
| <b>Total Revenues</b>  | <b>414,000</b>        | <b>414,000</b>      | <b>382,518</b>            | <b>(31,482)</b>                       |
| <b>Expenditures:</b>   |                       |                     |                           |                                       |
| Current:   |                       |                     |                           |                                       |
| Public works   | 450,748               | 462,789             | 445,409                   | 17,380                                |
| <b>Total Expenditures</b>                                    | <b>450,748</b>        | <b>462,789</b>      | <b>445,409</b>            | <b>17,380</b>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (36,748)              | (48,789)            | (62,891)                  | (14,102)                              |
| <b>Other Financing Sources (Uses):</b>                       |                       |                     |                           |                                       |
| Transfers in   | -                     | 50,000              | 50,000                    | -                                     |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>              | <b>50,000</b>       | <b>50,000</b>             | <b>-</b>                              |
| Net Change in Fund Balances                                  | (36,748)              | 1,211               | (12,891)                  | (14,102)                              |
| Fund Balance, Beginning of Year                              | (135,260)             | (135,260)           | (135,260)                 | -                                     |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (172,008)</b>   | <b>\$ (134,049)</b> | <b>\$ (148,151)</b>       | <b>\$ (14,102)</b>                    |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
ASES Program Grants  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|--|-----------------------|------------------|-----------------------|-----------------------------------|
|  | <b>Original</b>       | <b>Final</b>     |                       | <b>Positive (Negative)</b>        |
| <b>Revenues:</b>   |                       |                  |                       |                                   |
| Intergovernmental  | \$ 6,079,800          | \$ 6,773,200     | \$ 6,772,900          | \$ (300)                          |
| Use of money and property                                    | 25,000                | 25,000           | 3,126                 | (21,874)                          |
| <b>Total Revenues</b>  | <b>6,104,800</b>      | <b>6,798,200</b> | <b>6,776,026</b>      | <b>(22,174)</b>                   |
| <b>Expenditures:</b>   |                       |                  |                       |                                   |
| Current:   |                       |                  |                       |                                   |
| Community and cultural                                       | 6,080,840             | 6,798,200        | 6,792,303             | 5,897                             |
| <b>Total Expenditures</b>                                    | <b>6,080,840</b>      | <b>6,798,200</b> | <b>6,792,303</b>      | <b>5,897</b>                      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 23,960                | -                | (16,277)              | (16,277)                          |
| Net Change in Fund Balances                                  | 23,960                | -                | (16,277)              | (16,277)                          |
| Fund Balance, Beginning of Year                              | 18,906                | 18,906           | 18,906                | -                                 |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 42,866</b>      | <b>\$ 18,906</b> | <b>\$ 2,629</b>       | <b>\$ (16,277)</b>                |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
CFD #4M  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>     |                           |   |
| <b>Revenues:</b>   |                       |                  |                           |   |
| Charges for services   | \$ 41,000             | \$ 41,000        | \$ 43,190                 | \$ 2,190  |
| Use of money and property                                    | 74                    | 74               | 1,081                     | 1,007   |
| <b>Total Revenues</b>  | <b>41,074</b>         | <b>41,074</b>    | <b>44,271</b>             | <b>3,197</b>  |
| <b>Expenditures:</b>   |                       |                  |                           |   |
| Current:   |                       |                  |                           |   |
| Public works   | 35,300                | 35,300           | 30,747                    | 4,553   |
| <b>Total Expenditures</b>                                    | <b>35,300</b>         | <b>35,300</b>    | <b>30,747</b>             | <b>4,553</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 5,774                 | 5,774            | 13,524                    | 7,750   |
| Net Change in Fund Balances                                  | 5,774                 | 5,774            | 13,524                    | 7,750   |
| Fund Balance, Beginning of Year                              | 57,571                | 57,571           | 57,571                    | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 63,345</b>      | <b>\$ 63,345</b> | <b>\$ 71,095</b>          | <b>\$ 7,750</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Prop 42 Replacement  
Year Ended June 30, 2014**

|                                  | <b>Budget Amounts</b> |                 | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|----------------------------------|-----------------------|-----------------|---------------------------|---|
|                                  | <b>Original</b>       | <b>Final</b>    |                           |   |
|                                  |                       |                 |                           |   |
| <b>Expenditures:</b>             |                       |                 |                           |   |
| Capital outlay                   | \$ -                  | \$ 842,161      | \$ 843,310                | \$ (1,149)  |
| <b>Total Expenditures</b>        | <b>-</b>              | <b>842,161</b>  | <b>843,310</b>            | <b>(1,149)</b>  |
| Excess (Deficiency) of Revenues  |                       |                 |                           |   |
| Net Change in Fund Balances      | -                     | (842,161)       | (843,310)                 | (1,149)   |
| Fund Balance, Beginning of Year  | 843,310               | 843,310         | 843,310                   | -   |
| <b>Fund Balance, End of Year</b> | <b>\$ 843,310</b>     | <b>\$ 1,149</b> | <b>\$ -</b>               | <b>\$ (1,149)</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Civil Penalties  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|--|-----------------------|-------------------|-----------------------|-----------------------------------|
|  | <b>Original</b>       | <b>Final</b>      |                       | <b>Positive (Negative)</b>        |
| <b>Revenues:</b>   |                       |                   |                       |                                   |
| Use of money and property                                    | \$ 4,000              | \$ 4,000          | \$ 4,270              | \$ 270                            |
| Miscellaneous  | 60,000                | 60,000            | 12,958                | (47,042)                          |
| <b>Total Revenues</b>  | <b>64,000</b>         | <b>64,000</b>     | <b>17,228</b>         | <b>(46,772)</b>                   |
| <b>Expenditures:</b>   |                       |                   |                       |                                   |
| Current:   |                       |                   |                       |                                   |
| General government   | 39,415                | 40,273            | 68                    | 40,205                            |
| Community development  | -                     | -                 | 14,075                | (14,075)                          |
| <b>Total Expenditures</b>                                    | <b>39,415</b>         | <b>40,273</b>     | <b>14,143</b>         | <b>26,130</b>                     |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 24,585                | 23,727            | 3,085                 | (20,642)                          |
| Net Change in Fund Balances                                  | 24,585                | 23,727            | 3,085                 | (20,642)                          |
| Fund Balance, Beginning of Year                              | 242,183               | 242,183           | 242,183               | -                                 |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 266,768</b>     | <b>\$ 265,910</b> | <b>\$ 245,268</b>     | <b>\$ (20,642)</b>                |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Emergency Services Agency Fines  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|-------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>      |                           |   |
| <b>Revenues:</b>   |                       |                   |                           |   |
| Intergovernmental  | \$ 38,000             | \$ 38,000         | \$ 61,441                 | \$ 23,441   |
| Use of money and property                                    | 4,000                 | 4,000             | 5,799                     | 1,799   |
| <b>Total Revenues</b>  | <b>42,000</b>         | <b>42,000</b>     | <b>67,240</b>             | <b>25,240</b>   |
| <b>Expenditures:</b>   |                       |                   |                           |   |
| Current:   |                       |                   |                           |   |
| Public safety  | 110,000               | 110,000           | 65,565                    | 44,435  |
| <b>Total Expenditures</b>                                    | <b>110,000</b>        | <b>110,000</b>    | <b>65,565</b>             | <b>44,435</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (68,000)              | (68,000)          | 1,675                     | 69,675  |
| Net Change in Fund Balances                                  | (68,000)              | (68,000)          | 1,675                     | 69,675  |
| Fund Balance, Beginning of Year                              | 326,561               | 326,561           | 326,561                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 258,561</b>     | <b>\$ 258,561</b> | <b>\$ 328,236</b>         | <b>\$ 69,675</b>  |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Energy Efficiency Revolving  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>     |                           |   |
| <b>Revenues:</b>   |                       |                  |                           |   |
| Miscellaneous  | \$ -                  | \$ -             | \$ 46,188                 | \$ 46,188   |
| <b>Total Revenues</b>  | <b>-</b>              | <b>-</b>         | <b>46,188</b>             | <b>46,188</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                     | -                | 46,188                    | 46,188  |
| <b>Other Financing Sources (Uses):</b>                       |                       |                  |                           |   |
| Transfers in   | -                     | 59,756           | 59,756                    | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>              | <b>59,756</b>    | <b>59,756</b>             | <b>-</b>  |
| Net Change in Fund Balances                                  | -                     | 59,756           | 105,944                   | 46,188  |
| Fund Balance, Beginning of Year                              | -                     | -                | -                         | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ -</b>           | <b>\$ 59,756</b> | <b>\$ 105,944</b>         | <b>\$ 46,188</b>  |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Facility Construction  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|--|-----------------------|---------------------|-----------------------|-----------------------------------|
|  | <b>Original</b>       | <b>Final</b>        |                       | <b>Positive (Negative)</b>        |
| <b>Revenues:</b>   |                       |                     |                       |                                   |
| Miscellaneous  | \$ -                  | \$ -                | \$ 674                | \$ 674                            |
| <b>Total Revenues</b>  | <b>-</b>              | <b>-</b>            | <b>674</b>            | <b>674</b>                        |
| <b>Expenditures</b>  |                       |                     |                       |                                   |
| Capital outlay   | 2,500,000             | 4,238,653           | 766,825               | 3,471,828                         |
| <b>Total Expenditures</b>                                    | <b>2,500,000</b>      | <b>4,238,653</b>    | <b>766,825</b>        | <b>3,471,828</b>                  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (2,500,000)           | (4,238,653)         | (766,151)             | 3,472,502                         |
| <b>Other Financing Sources (Uses):</b>                       |                       |                     |                       |                                   |
| Transfers in   | -                     | 6,500,000           | 6,500,000             | -                                 |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>              | <b>6,500,000</b>    | <b>6,500,000</b>      | <b>-</b>                          |
| Net Change in Fund Balances                                  | (2,500,000)           | 2,261,347           | 5,733,849             | 3,472,502                         |
| Fund Balance, Beginning of Year                              | (271,900)             | (271,900)           | (271,900)             | -                                 |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (2,771,900)</b> | <b>\$ 1,989,447</b> | <b>\$ 5,461,949</b>   | <b>\$ 3,472,502</b>               |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Public Works Capital Projects  
Year Ended June 30, 2014**

|  | Budget Amounts      |                       | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|-----------------------|---------------------|---|
|  | Original            | Final                 |                     |   |
|  |                     |                       |                     |   |
| <b>Revenues:</b>   |                     |                       |                     |   |
| Intergovernmental  | \$ -                | \$ 8,834,706          | \$ 2,885,308        | \$ (5,949,398)  |
| Charges for services   | -                   | 500,000               | -                   | (500,000)   |
| Miscellaneous  | -                   | -                     | 189,558             | 189,558   |
| <b>Total Revenues</b>  | <b>-</b>            | <b>9,334,706</b>      | <b>3,074,866</b>    | <b>(6,259,840)</b>                                      |
| <b>Expenditures</b>  |                     |                       |                     |   |
| Capital outlay   | 2,010,000           | 21,920,608            | 5,132,338           | 16,788,270  |
| <b>Total Expenditures</b>                                    | <b>2,010,000</b>    | <b>21,920,608</b>     | <b>5,132,338</b>    | <b>16,788,270</b>                                       |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (2,010,000)         | (12,585,902)          | (2,057,472)         | 10,528,430  |
| <b>Other Financing Sources (Uses):</b>                       |                     |                       |                     |   |
| Transfers out  | -                   | (4,754,032)           | (4,754,032)         | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>            | <b>(4,754,032)</b>    | <b>(4,754,032)</b>  | <b>-</b>  |
| Net Change in Fund Balances                                  | (2,010,000)         | (17,339,934)          | (6,811,504)         | 10,528,430  |
| Fund Balance, Beginning of Year as Restated                  | 9,140,117           | 9,140,117             | 9,140,117           | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 7,130,117</b> | <b>\$ (8,199,817)</b> | <b>\$ 2,328,613</b> | <b>\$ 10,528,430</b>                                    |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Fire Services Capital Projects  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                    | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|--------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>       |                           |   |
| <b>Revenues:</b>   |                       |                    |                           |   |
| Miscellaneous  | \$ -                  | \$ -               | \$ 142                    | \$ 142  |
| <b>Total Revenues</b>  | <b>-</b>              | <b>-</b>           | <b>142</b>                | <b>142</b>  |
| <b>Expenditures</b>  |                       |                    |                           |   |
| Capital outlay   | 800,000               | 964,770            | 287,873                   | 676,897   |
| <b>Total Expenditures</b>                                    | <b>800,000</b>        | <b>964,770</b>     | <b>287,873</b>            | <b>676,897</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (800,000)             | (964,770)          | (287,731)                 | 677,039   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                    |                           |   |
| Transfers in   | 800,000               | 900,000            | 900,000                   | -   |
| Transfers out  | (383,000)             | (383,000)          | (383,000)                 | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>417,000</b>        | <b>517,000</b>     | <b>517,000</b>            | <b>-</b>  |
| Net Change in Fund Balances                                  | (383,000)             | (447,770)          | 229,269                   | 677,039   |
| Fund Balance, Beginning of Year                              | 377,772               | 377,772            | 377,772                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (5,228)</b>     | <b>\$ (69,998)</b> | <b>\$ 607,041</b>         | <b>\$ 677,039</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Towngate Capital / Administration  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|----------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>   |                           |   |
| <b>Expenditures</b>  |                       |                |                           |   |
| Current:   |                       |                |                           |   |
| Public works   | \$ 188,400            | \$ 188,400     | \$ 177,536                | \$ 10,864   |
| <b>Total Expenditures</b>                                    | <b>188,400</b>        | <b>188,400</b> | <b>177,536</b>            | <b>10,864</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (188,400)             | (188,400)      | (177,536)                 | 10,864  |
| <b>Other Financing Sources (Uses):</b>                       |                       |                |                           |   |
| Transfers in   | 188,400               | 188,400        | 177,536                   | (10,864)  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>188,400</b>        | <b>188,400</b> | <b>177,536</b>            | <b>(10,864)</b>   |
| Net Change in Fund Balances                                  | -                     | -              | -                         | -   |
| Fund Balance, Beginning of Year                              | -                     | -              | -                         | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ -</b>           | <b>\$ -</b>    | <b>\$ -</b>               | <b>\$ -</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Auto Mall Capital / Administration  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |               | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|---------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>  |                           |   |
| <b>Expenditures</b>  |                       |               |                           |   |
| Current:   |                       |               |                           |   |
| Public works   | \$ 63,900             | \$ 10,000     | \$ 6,391                  | \$ 3,609  |
| <b>Total Expenditures</b>                                    | <b>63,900</b>         | <b>10,000</b> | <b>6,391</b>              | <b>3,609</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (63,900)              | (10,000)      | (6,391)                   | 3,609   |
| <b>Other Financing Sources (Uses):</b>                       |                       |               |                           |   |
| Transfers in   | 63,900                | 10,000        | 6,391                     | (3,609)   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>63,900</b>         | <b>10,000</b> | <b>6,391</b>              | <b>(3,609)</b>  |
| Net Change in Fund Balances                                  | -                     | -             | -                         | -   |
| Fund Balance, Beginning of Year                              | -                     | -             | -                         | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>               | <b>\$ -</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Parks and Community Services Capital Projects  
Year Ended June 30, 2014**

|   | <b>Budget Amounts</b> |                     | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|---|-----------------------|---------------------|-----------------------|-----------------------------------|
|   | <b>Original</b>       | <b>Final</b>        |                       | <b>Positive (Negative)</b>        |
| <b>Expenditures</b>                                       |                       |                     |                       |                                   |
| Capital outlay  | \$ 1,308,000          | \$ 3,069,389        | \$ 481,413            | \$ 2,587,976                      |
| <b>Total Expenditures</b>                                 | <b>1,308,000</b>      | <b>3,069,389</b>    | <b>481,413</b>        | <b>2,587,976</b>                  |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,308,000)           | (3,069,389)         | (481,413)             | 2,587,976                         |
| <b>Other Financing Sources (Uses):</b>                    |                       |                     |                       |                                   |
| Transfers in  | 1,308,000             | 1,308,000           | 1,308,000             | -                                 |
| Transfers out   | (881,426)             | (881,426)           | (881,426)             | -                                 |
| <b>Total Other Financing Sources (Uses)</b>               | <b>426,574</b>        | <b>426,574</b>      | <b>426,574</b>        | <b>-</b>                          |
| Net Change in Fund Balances                               | (881,426)             | (2,642,815)         | (54,839)              | 2,587,976                         |
| Fund Balance, Beginning of Year                           | 4,414,953             | 4,414,953           | 4,414,953             | -                                 |
| <b>Fund Balance, End of Year</b>                          | <b>\$ 3,533,527</b>   | <b>\$ 1,772,138</b> | <b>\$ 4,360,114</b>   | <b>\$ 2,587,976</b>               |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
TUMF Capital Projects  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|--|-----------------------|---------------------|-----------------------|-----------------------------------|
|  | <b>Original</b>       | <b>Final</b>        | <b>Amounts</b>        | <b>Positive (Negative)</b>        |
| <b>Revenues:</b>   |                       |                     |                       |                                   |
| Intergovernmental  | \$ 5,300,000          | \$ 6,929,676        | \$ 364,929            | \$ (6,564,747)                    |
| <b>Total Revenues</b>  | <b>5,300,000</b>      | <b>6,929,676</b>    | <b>364,929</b>        | <b>(6,564,747)</b>                |
| <b>Expenditures</b>  |                       |                     |                       |                                   |
| Capital outlay   | 3,500,000             | 7,180,031           | 378,328               | 6,801,703                         |
| <b>Total Expenditures</b>                                    | <b>3,500,000</b>      | <b>7,180,031</b>    | <b>378,328</b>        | <b>6,801,703</b>                  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 1,800,000             | (250,355)           | (13,399)              | 236,956                           |
| Net Change in Fund Balances                                  | 1,800,000             | (250,355)           | (13,399)              | 236,956                           |
| Fund Balance, Beginning of Year                              | (199,951)             | (199,951)           | (199,951)             | -                                 |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 1,600,049</b>   | <b>\$ (450,306)</b> | <b>\$ (213,350)</b>   | <b>\$ 236,956</b>                 |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
DIF Capital Projects  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|---------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>        |                           |   |
|  |                       |                     |                           |   |
| <b>Revenues:</b>   |                       |                     |                           |   |
| Intergovernmental  | \$ 895,000            | \$ 1,335,300        | \$ 532,437                | \$ (802,863)  |
| Miscellaneous  | 1,000                 | 1,000               | 1,567                     | 567   |
| <b>Total Revenues</b>  | <b>896,000</b>        | <b>1,336,300</b>    | <b>534,004</b>            | <b>(802,296)</b>  |
| <b>Expenditures</b>  |                       |                     |                           |   |
| Capital outlay   | 130,000               | 4,740,978           | 2,503,409                 | 2,237,569   |
| <b>Total Expenditures</b>                                    | <b>130,000</b>        | <b>4,740,978</b>    | <b>2,503,409</b>          | <b>2,237,569</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 766,000               | (3,404,678)         | (1,969,405)               | 1,435,273   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                     |                           |   |
| Transfers in   | 130,000               | 357,000             | 357,000                   | -   |
| Transfers out  | (220,000)             | (220,000)           | (220,000)                 | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(90,000)</b>       | <b>137,000</b>      | <b>137,000</b>            | <b>-</b>  |
| Net Change in Fund Balances                                  | 676,000               | (3,267,678)         | (1,832,405)               | 1,435,273   |
| Fund Balance, Beginning of Year                              | 4,828,226             | 4,828,226           | 4,828,226                 | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 5,504,226</b>   | <b>\$ 1,560,548</b> | <b>\$ 2,995,821</b>       | <b>\$ 1,435,273</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Lease Revenue Bonds 2005 Capital Projects  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|-------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>      |                           |   |
|  |                       |                   |                           |   |
| <b>Expenditures</b>  |                       |                   |                           |   |
| Capital outlay   | \$ -                  | \$ 285,116        | \$ 222,342                | \$ 62,774   |
| <b>Total Expenditures</b>                                    | <b>-</b>              | <b>285,116</b>    | <b>222,342</b>            | <b>62,774</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                     | (285,116)         | (222,342)                 | 62,774  |
| Net Change in Fund Balances                                  | -                     | (285,116)         | (222,342)                 | 62,774  |
| Fund Balance, Beginning of Year                              | 416,428               | 416,428           | 416,428                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 416,428</b>     | <b>\$ 131,312</b> | <b>\$ 194,086</b>         | <b>\$ 62,774</b>  |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
2007 Tax Allocation Bonds Capital Projects  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                    | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|--------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>       |                           |   |
| <b>Revenues:</b>   |                       |                    |                           |   |
| Use of money and property                                    | \$ -                  | \$ -               | \$ 35,822                 | \$ 35,822   |
| <b>Total Revenues</b>  | <b>-</b>              | <b>-</b>           | <b>35,822</b>             | <b>35,822</b>   |
| <b>Expenditures</b>  |                       |                    |                           |   |
| Current:   |                       |                    |                           |   |
| Capital outlay   | -                     | 9,335,102          | 9,333,926                 | 1,176   |
| <b>Total Expenditures</b>                                    | <b>-</b>              | <b>9,335,102</b>   | <b>9,333,926</b>          | <b>1,176</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                     | (9,335,102)        | (9,298,104)               | 36,998  |
| Net Change in Fund Balances                                  | -                     | (9,335,102)        | (9,298,104)               | 36,998  |
| Fund Balance, Beginning of Year                              | 9,298,104             | 9,298,104          | 9,298,104                 | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 9,298,104</b>   | <b>\$ (36,998)</b> | <b>\$ -</b>               | <b>\$ 36,998</b>  |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
TRIP Capital Projects  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |  |
|--|-----------------------|-------------------|---------------------------|---|--|
|  | <b>Original</b>       | <b>Final</b>      |                           |   |  |
| <b>Revenues:</b>   |                       |                   |                           |   |  |
| Use of money and property                                    | \$ -                  | \$ -              | \$ 5,706                  | \$ 5,706  |  |
| Miscellaneous  | -                     | -                 | 917                       | 917   |  |
| <b>Total Revenues</b>  | <b>-</b>              | <b>-</b>          | <b>6,623</b>              | <b>6,623</b>  |  |
| <b>Expenditures</b>  |                       |                   |                           |   |  |
| Capital outlay   | -                     | 18,067,390        | 1,439,489                 | 16,627,901  |  |
| <b>Total Expenditures</b>                                    | <b>-</b>              | <b>18,067,390</b> | <b>1,439,489</b>          | <b>16,627,901</b>   |  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                     | (18,067,390)      | (1,432,866)               | 16,634,524  |  |
| <b>Other Financing Sources (Uses):</b>                       |                       |                   |                           |   |  |
| Transfers out  | -                     | (1,932,610)       | (1,926,110)               | 6,500   |  |
| Other debt issued  | -                     | 20,000,000        | 20,000,000                | -   |  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>              | <b>18,067,390</b> | <b>18,073,890</b>         | <b>6,500</b>  |  |
| Net Change in Fund Balances                                  | -                     | -                 | 16,641,024                | 16,641,024  |  |
| Fund Balance, Beginning of Year                              | -                     | -                 | -                         | -   |  |
| <b>Fund Balance, End of Year</b>                             | <b>\$ -</b>           | <b>\$ -</b>       | <b>\$ 16,641,024</b>      | <b>\$ 16,641,024</b>  |  |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Auto Mall Special Tax Bonds**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|-------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>      |                           |   |
| <b>Revenues:</b>   |                       |                   |                           |   |
| Taxes:   |                       |                   |                           |   |
| Other taxes  | \$ 54,400             | \$ -              | \$ -                      | \$ -  |
| Use of money and property                                    | 200                   | 3                 | 2                         | (1)   |
| Contributions from Successor Agency                          | 109,451               | -                 | -                         | -   |
| <b>Total Revenues</b>  | <b>164,051</b>        | <b>3</b>          | <b>2</b>                  | <b>(1)</b>  |
| <b>Expenditures:</b>   |                       |                   |                           |   |
| Debt service:  |                       |                   |                           |   |
| Principal retirement   | 15,000                | 105,000           | 105,000                   | -   |
| Interest and fiscal charges                                  | 7,400                 | 3,938             | 3,938                     | -   |
| <b>Total Expenditures</b>                                    | <b>22,400</b>         | <b>108,938</b>    | <b>108,938</b>            | <b>-</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 141,651               | (108,935)         | (108,936)                 | (1)   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                   |                           |   |
| Transfers in   | -                     | 190,176           | 190,176                   | -   |
| Transfers out  | (63,900)              | (10,000)          | (6,391)                   | 3,609   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(63,900)</b>       | <b>180,176</b>    | <b>183,785</b>            | <b>3,609</b>  |
| Net Change in Fund Balances                                  | 77,751                | 71,241            | 74,849                    | 3,608   |
| Fund Balance, Beginning of Year                              | (74,849)              | (74,849)          | (74,849)                  | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 2,902</b>       | <b>\$ (3,608)</b> | <b>\$ -</b>               | <b>\$ 3,608</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
Lease Revenue Bonds 2005 Debt Service  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |                    |
|--|-----------------------|---------------------|---------------------------|---------------------------------------|--------------------|
|  | <b>Original</b>       | <b>Final</b>        |                           | <b>Positive<br/>(Negative)</b>        | <b>\$</b>          |
| <b>Revenues:</b>   |                       |                     |                           |                                       |                    |
| Use of money and property                                    | \$ -                  | \$ -                | \$ 313                    | \$                                    | 313                |
| Contributions from Successor Agency                          | 594,773               | -                   | -                         |                                       | -                  |
| <b>Total Revenues</b>  | <b>594,773</b>        | <b>-</b>            | <b>313</b>                |                                       | <b>313</b>         |
| <b>Expenditures:</b>   |                       |                     |                           |                                       |                    |
| Current:   |                       |                     |                           |                                       |                    |
| General government   | 2,100                 | 2,100               | 2,525                     |                                       | (425)              |
| Debt service:  |                       |                     |                           |                                       |                    |
| Principal retirement   | 970,000               | 13,340,236          | 11,915,000                |                                       | 1,425,236          |
| Interest and fiscal charges                                  | 1,670,800             | 1,748,634           | 1,724,040                 |                                       | 24,594             |
| <b>Total Expenditures</b>                                    | <b>2,642,900</b>      | <b>15,090,970</b>   | <b>13,641,565</b>         |                                       | <b>1,449,405</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (2,048,127)           | (15,090,970)        | (13,641,252)              |                                       | 1,449,718          |
| <b>Other Financing Sources (Uses):</b>                       |                       |                     |                           |                                       |                    |
| Transfers in   | 2,053,200             | 14,719,296          | 13,191,230                |                                       | (1,528,066)        |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>2,053,200</b>      | <b>14,719,296</b>   | <b>13,191,230</b>         |                                       | <b>(1,528,066)</b> |
| Net Change in Fund Balances                                  | 5,073                 | (371,674)           | (450,022)                 |                                       | (78,348)           |
| Fund Balance, Beginning of Year                              | 8,805,029             | 8,805,029           | 8,805,029                 |                                       | -                  |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 8,810,102</b>   | <b>\$ 8,433,355</b> | <b>\$ 8,355,007</b>       |                                       | <b>\$ (78,348)</b> |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
2007 Towngate Improvement Refunding  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|-------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>      |                           |   |
| <b>Revenues:</b>   |                       |                   |                           |   |
| Taxes:   |                       |                   |                           |   |
| Other taxes  | \$ 115,500            | \$ 115,500        | \$ 117,164                | \$ 1,664  |
| Use of money and property                                    | 100                   | 100               | 59                        | (41)  |
| Contributions from Successor Agency                          | 277,181               | 277,181           | 277,181                   | -   |
| <b>Total Revenues</b>  | <b>392,781</b>        | <b>392,781</b>    | <b>394,404</b>            | <b>1,623</b>  |
| <b>Expenditures:</b>   |                       |                   |                           |   |
| Debt service:  |                       |                   |                           |   |
| Principal retirement   | 220,000               | 220,000           | 220,000                   | -   |
| Interest and fiscal charges                                  | 135,100               | 135,100           | 135,009                   | 91  |
| <b>Total Expenditures</b>                                    | <b>355,100</b>        | <b>355,100</b>    | <b>355,009</b>            | <b>91</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 37,681                | 37,681            | 39,395                    | 1,714   |
| <b>Other Financing Sources (Uses):</b>                       |                       |                   |                           |   |
| Transfers out  | (33,800)              | (33,800)          | (30,972)                  | 2,828   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(33,800)</b>       | <b>(33,800)</b>   | <b>(30,972)</b>           | <b>2,828</b>  |
| Net Change in Fund Balances                                  | 3,881                 | 3,881             | 8,423                     | 4,542   |
| Fund Balance, Beginning of Year                              | 839,054               | 839,054           | 839,054                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 842,935</b>     | <b>\$ 842,935</b> | <b>\$ 847,477</b>         | <b>\$ 4,542</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**2007 Towngate Refunding**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|-----------------------|---------------------|---------------------------|---------------------------------------|
|  | <b>Original</b>       | <b>Final</b>        |                           |                                       |
| <b>Revenues:</b>   |                       |                     |                           |                                       |
| Use of money and property                                    | \$ 300                | \$ 300              | \$ 231                    | \$ (69)                               |
| Contributions from Successor Agency                          | 1,182,347             | 1,182,347           | 1,182,347                 | -                                     |
| <b>Total Revenues</b>  | <b>1,182,647</b>      | <b>1,182,647</b>    | <b>1,182,578</b>          | <b>(69)</b>                           |
| <b>Expenditures:</b>   |                       |                     |                           |                                       |
| Debt service:  |                       |                     |                           |                                       |
| Principal retirement   | 700,000               | 700,000             | 700,000                   | -                                     |
| Interest and fiscal charges                                  | 311,000               | 311,000             | 310,906                   | 94                                    |
| <b>Total Expenditures</b>                                    | <b>1,011,000</b>      | <b>1,011,000</b>    | <b>1,010,906</b>          | <b>94</b>                             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 171,647               | 171,647             | 171,672                   | 25                                    |
| <b>Other Financing Sources (Uses):</b>                       |                       |                     |                           |                                       |
| Transfers out  | (154,600)             | (154,600)           | (146,564)                 | 8,036                                 |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(154,600)</b>      | <b>(154,600)</b>    | <b>(146,564)</b>          | <b>8,036</b>                          |
| Net Change in Fund Balances                                  | 17,047                | 17,047              | 25,108                    | 8,061                                 |
| Fund Balance, Beginning of Year                              | 2,769,048             | 2,769,048           | 2,769,048                 | -                                     |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 2,786,095</b>   | <b>\$ 2,786,095</b> | <b>\$ 2,794,156</b>       | <b>\$ 8,061</b>                       |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
2011 Priv Placement Ref 97 Lease Rev Bonds  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|----------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>   |                           |   |
| <b>Revenues:</b>   |                       |                |                           |   |
| Contributions from Successor Agency                          | \$ 150,000            | \$ 150,000     | \$ 150,000                | \$ -  |
| <b>Total Revenues</b>  | <b>150,000</b>        | <b>150,000</b> | <b>150,000</b>            | <b>-</b>  |
| <b>Expenditures:</b>   |                       |                |                           |   |
| Debt service:  |                       |                |                           |   |
| Principal retirement   | 234,000               | 234,000        | 234,000                   | -   |
| Interest and fiscal charges                                  | 106,400               | 106,400        | 106,346                   | 54  |
| <b>Total Expenditures</b>                                    | <b>340,400</b>        | <b>340,400</b> | <b>340,346</b>            | <b>54</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (190,400)             | (190,400)      | (190,346)                 | 54  |
| <b>Other Financing Sources (Uses):</b>                       |                       |                |                           |   |
| Transfers in   | 190,400               | 190,400        | 190,346                   | (54)  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>190,400</b>        | <b>190,400</b> | <b>190,346</b>            | <b>(54)</b>   |
| Net Change in Fund Balances                                  | -                     | -              | -                         | -   |
| Fund Balance, Beginning of Year                              | -                     | -              | -                         | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ -</b>           | <b>\$ -</b>    | <b>\$ -</b>               | <b>\$ -</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
2011 Priv Placement Ref 97 COPs  
Year Ended June 30, 2014**

|   | <b>Budget Amounts</b> |                | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|---|-----------------------|----------------|-----------------------|-----------------------------------|
|   | <b>Original</b>       | <b>Final</b>   |                       | <b>Positive (Negative)</b>        |
| <b>Expenditures:</b>                                      |                       |                |                       |                                   |
| Debt service:   |                       |                |                       |                                   |
| Principal retirement                                      | \$ 710,500            | \$ 710,500     | \$ 710,500            | \$ -                              |
| Interest and fiscal charges                               | 76,500                | 76,500         | 76,409                | 91                                |
| <b>Total Expenditures</b>                                 | <b>787,000</b>        | <b>787,000</b> | <b>786,909</b>        | <b>91</b>                         |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (787,000)             | (787,000)      | (786,909)             | 91                                |
| <b>Other Financing Sources (Uses):</b>                    |                       |                |                       |                                   |
| Transfers in  | 787,000               | 787,000        | 786,909               | (91)                              |
| <b>Total Other Financing Sources (Uses)</b>               | <b>787,000</b>        | <b>787,000</b> | <b>786,909</b>        | <b>(91)</b>                       |
| Net Change in Fund Balances                               | -                     | -              | -                     | -                                 |
| Fund Balance, Beginning of Year                           | -                     | -              | -                     | -                                 |
| <b>Fund Balance, End of Year</b>                          | <b>\$ -</b>           | <b>\$ -</b>    | <b>\$ -</b>           | <b>\$ -</b>                       |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**TRIP COP 13A Debt Service**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|-----------------------|------------------|---------------------------|---------------------------------------|
|  | <b>Original</b>       | <b>Final</b>     |                           |                                       |
| <b>Revenues:</b>   |                       |                  |                           |                                       |
| Use of money and property                                    | \$ -                  | \$ -             | \$ 5                      | \$ 5                                  |
| <b>Total Revenues</b>  | <b>-</b>              | <b>-</b>         | <b>5</b>                  | <b>5</b>                              |
| <b>Expenditures:</b>   |                       |                  |                           |                                       |
| Current:   |                       |                  |                           |                                       |
| Public works   | -                     | -                | 2,268                     | (2,268)                               |
| Debt service:  |                       |                  |                           |                                       |
| Interest and fiscal charges                                  | -                     | 748,992          | 748,992                   | -                                     |
| Bond issuance costs  | -                     | 798,399          | 656,950                   | 141,449                               |
| <b>Total Expenditures</b>                                    | <b>-</b>              | <b>1,547,391</b> | <b>1,408,210</b>          | <b>139,181</b>                        |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures |                       | (1,547,391)      | (1,408,205)               | 139,186                               |
| <b>Other Financing Sources (Uses):</b>                       |                       |                  |                           |                                       |
| Transfers in   | -                     | 1,547,391        | 1,543,154                 | (4,237)                               |
| Bond premium/(discount)                                      | -                     | -                | (134,949)                 | (134,949)                             |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>              | <b>1,547,391</b> | <b>1,408,205</b>          | <b>(139,186)</b>                      |
| Net Change in Fund Balances                                  | -                     | -                | -                         | -                                     |
| Fund Balance, Beginning of Year                              | -                     | -                | -                         | -                                     |
| <b>Fund Balance, End of Year</b>                             | <b>\$ -</b>           | <b>\$ -</b>      | <b>\$ -</b>               | <b>\$ -</b>                           |

**City of Moreno Valley**

**Budgetary Comparison Schedule  
2013 Refunding 2005 Lease Revenue Bonds  
Year Ended June 30, 2014**

|   | <b>Budget Amounts</b> |                     | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|---|-----------------------|---------------------|-----------------------|-----------------------------------|
|   | <b>Original</b>       | <b>Final</b>        |                       | <b>Positive (Negative)</b>        |
| <b>Expenditures:</b>                                      |                       |                     |                       |                                   |
| Debt service:   |                       |                     |                       |                                   |
| Interest and fiscal charges                               | \$ -                  | \$ 167,666          | \$ 167,665            | \$ 1                              |
| Bond issuance costs                                       | -                     | 245,442             | 239,010               | 6,432                             |
| <b>Total Expenditures</b>                                 | <b>-</b>              | <b>413,108</b>      | <b>406,675</b>        | <b>6,433</b>                      |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | -                     | (413,108)           | (406,675)             | 6,433                             |
| <b>Other Financing Sources (Uses):</b>                    |                       |                     |                       |                                   |
| Transfers out   | -                     | (12,615,736)        | (11,087,670)          | 1,528,066                         |
| Refunding bonds issued                                    | -                     | 12,861,178          | 10,454,230            | (2,406,948)                       |
| Bond premium/(discount)                                   | -                     | -                   | 1,040,115             | 1,040,115                         |
| <b>Total Other Financing Sources (Uses)</b>               | <b>-</b>              | <b>245,442</b>      | <b>406,675</b>        | <b>161,233</b>                    |
| Net Change in Fund Balances                               | -                     | (167,666)           | -                     | 167,666                           |
| Fund Balance, Beginning of Year                           | -                     | -                   | -                     | -                                 |
| <b>Fund Balance, End of Year</b>                          | <b>\$ -</b>           | <b>\$ (167,666)</b> | <b>\$ -</b>           | <b>\$ 167,666</b>                 |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Celebration Park Endowment**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|-----------------------|------------------|---------------------------|---------------------------------------|
|  | <b>Original</b>       | <b>Final</b>     |                           |                                       |
| <b>Revenues:</b>   |                       |                  |                           |                                       |
| Use of money and property                                    | \$ 1,000              | \$ 1,000         | \$ 1,092                  | \$ 92                                 |
| <b>Total Revenues</b>  | <b>1,000</b>          | <b>1,000</b>     | <b>1,092</b>              | <b>92</b>                             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 1,000                 | 1,000            | 1,092                     | 92                                    |
| Net Change in Fund Balances                                  | 1,000                 | 1,000            | 1,092                     | 92                                    |
| Fund Balance, Beginning of Year                              | 60,252                | 60,252           | 60,252                    | -                                     |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 61,252</b>      | <b>\$ 61,252</b> | <b>\$ 61,344</b>          | <b>\$ 92</b>                          |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Equestrian Trail Endowment**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>     |                           |   |
| <b>Revenues:</b>   |                       |                  |                           |   |
| Use of money and property                                    | \$ 200                | \$ 200           | \$ 217                    | \$ 17   |
| <b>Total Revenues</b>  | <b>200</b>            | <b>200</b>       | <b>217</b>                | <b>17</b>   |
| <b>Expenditures:</b>   |                       |                  |                           |   |
| Current:   |                       |                  |                           |   |
| Community and cultural                                       | -                     | -                | 429                       | (429)   |
| <b>Total Expenditures</b>                                    | <b>-</b>              | <b>-</b>         | <b>429</b>                | <b>(429)</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 200                   | 200              | (212)                     | (412)   |
| Net Change in Fund Balances                                  | 200                   | 200              | (212)                     | (412)   |
| Fund Balance, Beginning of Year                              | 12,191                | 12,191           | 12,191                    | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 12,391</b>      | <b>\$ 12,391</b> | <b>\$ 11,979</b>          | <b>\$ (412)</b>   |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Rockridge Endowment**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|-----------------------|-------------------|---------------------------|---------------------------------------|
|  | <b>Original</b>       | <b>Final</b>      |                           |                                       |
| <b>Revenues:</b>   |                       |                   |                           |                                       |
| Use of money and property                                    | \$ 1,800              | \$ 1,800          | \$ 2,008                  | \$ 208                                |
| <b>Total Revenues</b>  | <b>1,800</b>          | <b>1,800</b>      | <b>2,008</b>              | <b>208</b>                            |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 1,800                 | 1,800             | 2,008                     | 208                                   |
| Net Change in Fund Balances                                  | 1,800                 | 1,800             | 2,008                     | 208                                   |
| Fund Balance, Beginning of Year                              | 104,334               | 104,334           | 104,334                   | -                                     |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 106,134</b>     | <b>\$ 106,134</b> | <b>\$ 106,342</b>         | <b>\$ 208</b>                         |

**City of Moreno Valley**

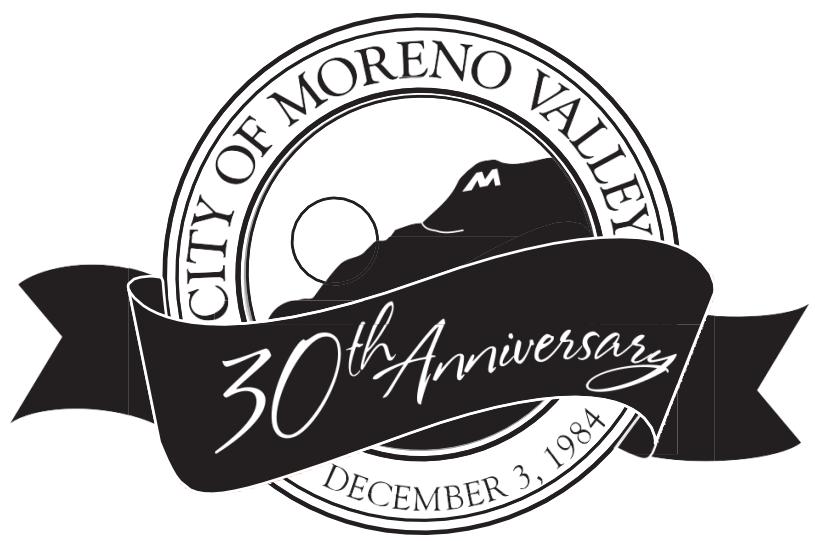
**Budgetary Comparison Schedule  
NPDES Endowment  
Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>     |                           |   |
| <b>Revenues:</b>   |                       |                  |                           |   |
| Use of money and property                                    | \$ -                  | \$ -             | \$ 369                    | \$ 369  |
| Contributions  | -                     | -                | 17,576                    | 17,576  |
| <b>Total Revenues</b>  | <b>-</b>              | <b>-</b>         | <b>17,945</b>             | <b>17,945</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                     | -                | 17,945                    | 17,945  |
| <b>Other Financing Sources (Uses):</b>                       |                       |                  |                           |   |
| Transfers out  | -                     | (653)            | (653)                     | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>              | <b>(653)</b>     | <b>(653)</b>              | <b>-</b>  |
| Net Change in Fund Balances                                  | -                     | (653)            | 17,292                    | 17,945  |
| Fund Balance, Beginning of Year                              | 14,869                | 14,869           | 14,869                    | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 14,869</b>      | <b>\$ 14,216</b> | <b>\$ 32,161</b>          | <b>\$ 17,945</b>  |

**City of Moreno Valley**

**Budgetary Comparison Schedule**  
**Cultural Preservation Fund**  
**Year Ended June 30, 2014**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|--|-----------------------|-------------------|---------------------------|---------------------------------------|
|  | <b>Original</b>       | <b>Final</b>      |                           |                                       |
| <b>Revenues:</b>   |                       |                   |                           |                                       |
| Use of money and property                                    | \$ -                  | \$ -              | \$ 2,455                  | \$ 2,455                              |
| Miscellaneous  | -                     | 114,542           | 114,542                   | -                                     |
| <b>Total Revenues</b>  | <b>-</b>              | <b>114,542</b>    | <b>116,997</b>            | <b>2,455</b>                          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                     | 114,542           | 116,997                   | 2,455                                 |
| Net Change in Fund Balances                                  | -                     | 114,542           | 116,997                   | 2,455                                 |
| Fund Balance, Beginning of Year                              | -                     | -                 | -                         | -                                     |
| <b>Fund Balance, End of Year</b>                             | <b>\$ -</b>           | <b>\$ 114,542</b> | <b>\$ 116,997</b>         | <b>\$ 2,455</b>                       |



Internal Service Fund

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year  
Ended June 30, 2014



## **INTERNAL SERVICE FUNDS**

### **General Liability Insurance Fund**

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

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

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

### **Technology Service Fund**

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

### **Facilities Maintenance Fund**

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

### **Equipment Maintenance Fund**

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

### **Equipment Replacement Reserve Fund**

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

**City of Moreno Valley**

**Combining Statement of Net Position  
Internal Service Funds  
June 30, 2014**

|  | <b>General<br/>Liability<br/>Insurance</b> | <b>Workers'<br/>Compensation<br/>Insurance</b> | <b>Technology<br/>Services</b> | <b>Facilities<br/>Maintenance</b> |
|--|--|--|--------------------------------|-----------------------------------|
| <b>Assets:</b>                                   |  |  |                                |                                   |
| Current:   |  |  |                                |                                   |
| Pooled cash and investments                      | \$ 1,630,611                               | \$ 4,531,183                                   | \$ 9,352,389                   | \$ 5,371,019                      |
| Receivables:                                     |  |  |                                |                                   |
| Accounts   | -  | -  | -                              | 162                               |
| Prepaid costs                                    | -  | -  | -                              | 1,922                             |
| Inventories                                      | -  | -  | -                              | 28,371                            |
| <b>Total Current Assets</b>                      | <b><u>1,630,611</u></b>                    | <b><u>4,531,183</u></b>                        | <b><u>9,352,389</u></b>        | <b><u>5,401,474</u></b>           |
| Noncurrent:                                      |  |  |                                |                                   |
| Capital assets - net of accumulated depreciation | -  | -  | 3,559,000                      | 10,657,597                        |
| <b>Total Noncurrent Assets</b>                   | <b><u>-</u></b>                            | <b><u>-</u></b>                                | <b><u>3,559,000</u></b>        | <b><u>10,657,597</u></b>          |
| <b>Total Assets</b>                              | <b><u>\$ 1,630,611</u></b>                 | <b><u>\$ 4,531,183</u></b>                     | <b><u>\$ 12,911,389</u></b>    | <b><u>\$ 16,059,071</u></b>       |
| <b>Liabilities and Net Position:</b>             |  |  |                                |                                   |
| <b>Liabilities:</b>                              |  |  |                                |                                   |
| Current:   |  |  |                                |                                   |
| Accounts payable                                 | \$ 6,462                                   | \$ 6,268                                       | \$ 99,414                      | \$ 176,816                        |
| Compensated absences                             | 4,674                                      | 1,390  | 349,970                        | 92,851                            |
| Self-insurance payable                           | 321,000                                    | 387,000  | -                              | -                                 |
| <b>Total Current Liabilities</b>                 | <b><u>332,136</u></b>                      | <b><u>394,658</u></b>                          | <b><u>449,384</u></b>          | <b><u>269,667</u></b>             |
| Noncurrent:                                      |  |  |                                |                                   |
| Compensated absences                             | 3,116                                      | 927  | 233,313                        | 61,901                            |
| Self-insurance payable                           | 350,000                                    | 1,036,000                                      | -                              | -                                 |
| <b>Total Noncurrent Liabilities</b>              | <b><u>353,116</u></b>                      | <b><u>1,036,927</u></b>                        | <b><u>233,313</u></b>          | <b><u>61,901</u></b>              |
| <b>Total Liabilities</b>                         | <b><u>685,252</u></b>                      | <b><u>1,431,585</u></b>                        | <b><u>682,697</u></b>          | <b><u>331,568</u></b>             |
| <b>Net Position:</b>                             |  |  |                                |                                   |
| Investment in capital assets                     | -  | -  | 3,559,000                      | 10,657,597                        |
| Unrestricted                                     | 945,359                                    | 3,099,598                                      | 8,669,692                      | 5,069,906                         |
| <b>Total Net Position</b>                        | <b><u>945,359</u></b>                      | <b><u>3,099,598</u></b>                        | <b><u>12,228,692</u></b>       | <b><u>15,727,503</u></b>          |
| <b>Total Liabilities and Net Position</b>        | <b><u>\$ 1,630,611</u></b>                 | <b><u>\$ 4,531,183</u></b>                     | <b><u>\$ 12,911,389</u></b>    | <b><u>\$ 16,059,071</u></b>       |

| <b>Equipment Maintenance</b> | <b>Equipment Replacement Reserve</b> | <b>Totals</b>        |
|------------------------------|--------------------------------------|----------------------|
| \$ 176,219                   | \$ 20,278,917                        | \$ 41,340,338        |
| -                            | -                                    | 162                  |
| -                            | -                                    | 1,922                |
| 11,369                       | -                                    | 39,740               |
| <b>187,588</b>               | <b>20,278,917</b>                    | <b>41,382,162</b>    |
|                              |                                      |                      |
| 11,791                       | 37,381                               | 14,265,769           |
| <b>11,791</b>                | <b>37,381</b>                        | <b>14,265,769</b>    |
| <b>\$ 199,379</b>            | <b>\$ 20,316,298</b>                 | <b>\$ 55,647,931</b> |

**Assets:**

Current:  
 Pooled cash and investments  
 Receivables:  
     Accounts  
     Prepaid costs  
     Inventories

**Total Current Assets**

Noncurrent:  
 Capital assets - net of accumulated depreciation

**Total Noncurrent Assets**

**Total Assets**

**Liabilities and Net Position:**

**Liabilities:**

Current:  
 Accounts payable  
 Compensated absences  
 Self-insurance payable

**Total Current Liabilities**

Noncurrent:  
 Compensated absences  
 Self-insurance payable

**Total Noncurrent Liabilities**

**Total Liabilities**

**Net Position:**

Net investment in capital assets  
 Unrestricted

**Total Net Position**

**Total Liabilities and Net Position**

**City of Moreno Valley**

**Combining Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Internal Service Funds  
Year Ended June 30, 2014**

|  | <b>General<br/>Liability<br/>Insurance</b> | <b>Workers'<br/>Compensation<br/>Insurance</b> | <b>Technology<br/>Services</b> | <b>Facilities<br/>Maintenance</b> |
|--|--|--|--------------------------------|-----------------------------------|
| <b>Operating Revenues:</b>                       |  |  |                                |                                   |
| Sales and service charges                        | \$ 793,154                                 | \$ 785,600                                     | \$ 3,762,700                   | \$ 4,342,550                      |
| Miscellaneous                                    | 11,922                                     | -  | 14,602                         | 8,268                             |
| <b>Total Operating Revenues</b>                  | <b>805,076</b>                             | <b>785,600</b>                                 | <b>3,777,302</b>               | <b>4,350,818</b>                  |
| <b>Operating Expenses:</b>                       |  |  |                                |                                   |
| Cost of services                                 | 435,459                                    | 135,264  | 3,820,194                      | 3,190,736                         |
| Depreciation expense                             | -  | -  | 569,090                        | 298,535                           |
| Self-insurance claims and charges                | 668,901                                    | 180,857  | -                              | -                                 |
| <b>Total Operating Expenses</b>                  | <b>1,104,360</b>                           | <b>316,121</b>                                 | <b>4,389,284</b>               | <b>3,489,271</b>                  |
| Operating Income (Loss)                          | (299,284)                                  | 469,479  | (611,982)                      | 861,547                           |
| <b>Nonoperating Revenues (Expenses):</b>         |  |  |                                |                                   |
| Gain (loss) on disposal of capital assets        | -  | -  | (5,336)                        | (404)                             |
| <b>Total Nonoperating Revenues (Expenses)</b>    | <b>-</b>                                   | <b>-</b>                                       | <b>(5,336)</b>                 | <b>(404)</b>                      |
| Income (Loss) Before Transfers and Contributions | (299,284)                                  | 469,479  | (617,318)                      | 861,143                           |
| Transfers in                                     | -  | -  | 1,834,813                      | 490,815                           |
| Transfers out                                    | (43,950)                                   | (4,500)  | -                              | (915,972)                         |
| Changes in Net Position                          | (343,234)                                  | 464,979  | 1,217,495                      | 435,986                           |
| <b>Net Position:</b>                             |  |  |                                |                                   |
| Beginning of Year                                | 1,288,593                                  | 2,634,619                                      | 11,011,197                     | 15,291,517                        |
| <b>End of Year</b>                               | <b>\$ 945,359</b>                          | <b>\$ 3,099,598</b>                            | <b>\$ 12,228,692</b>           | <b>\$ 15,727,503</b>              |

| <b>Equipment Maintenance</b> | <b>Equipment Replacement Reserve</b> | <b>Totals</b>           |   |
|------------------------------|--------------------------------------|-------------------------|---|
| \$ 724,414<br>659            | \$ 2,762,666<br>-                    | \$ 13,171,084<br>35,451 | <b>Operating Revenues:</b><br>Sales and service charges<br>Miscellaneous              |
| <b>725,073</b>               | <b>2,762,666</b>                     | <b>13,206,535</b>       | <b>Total Operating Revenues</b>   |
| 754,545                      | -                                    | 8,336,198               | <b>Operating Expenses:</b><br>Cost of services  |
| 2,948                        | 45,030                               | 915,603                 | Depreciation expense  |
| -                            | -                                    | 849,758                 | Self-insurance claims and charges   |
| <b>757,493</b>               | <b>45,030</b>                        | <b>10,101,559</b>       | <b>Total Operating Expenses</b>   |
| (32,420)                     | 2,717,636                            | 3,104,976               | Operating Income (Loss)   |
| -                            | (31,375)                             | (37,115)                | <b>Nonoperating Revenues (Expenses):</b><br>Gain (loss) on disposal of capital assets |
| -                            | (31,375)                             | (37,115)                | <b>Total Nonoperating Revenues (Expenses)</b>   |
| (32,420)                     | 2,686,261                            | 3,067,861               | Income (Loss) Before Transfers and Contributions                                      |
| -                            | -                                    | 2,325,628               | Transfers in  |
| -                            | (3,147,088)                          | (4,111,510)             | Transfers out   |
| (32,420)                     | (460,827)                            | 1,281,979               | Changes in Net Position   |
| 172,596                      | 20,777,125                           | 51,175,647              | <b>Net Position:</b><br>Beginning of Year   |
| <b>\$ 140,176</b>            | <b>\$ 20,316,298</b>                 | <b>\$ 52,457,626</b>    | <b>End of Year</b>  |

**City of Moreno Valley**

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2014**

|   | <b>General<br/>Liability<br/>Insurance</b> | <b>Workers'<br/>Compensation<br/>Insurance</b> | <b>Technology<br/>Services</b> | <b>Facilities<br/>Maintenance</b> |
|---|--|--|--------------------------------|-----------------------------------|
| <b>Cash Flows from Operating Activities:</b>  |  |  |                                |                                   |
| Cash received from customers  | \$ 805,076                                 | \$ 785,600                                     | \$ 3,777,302                   | \$ 4,350,868                      |
| Cash paid to suppliers for goods and services   | (267,674)                                  | (84,451)                                       | (2,245,971)                    | (2,544,945)                       |
| Cash paid for claims  | (560,901)                                  | (302,857)                                      | -                              | -                                 |
| Cash paid to employees for services   | (186,779)                                  | (43,195)                                       | (2,046,562)                    | (803,511)                         |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>(210,278)</b>                           | <b>355,097</b>                                 | <b>(515,231)</b>               | <b>1,002,412</b>                  |
| <b>Cash Flows from Non-Capital Financing Activities:</b>  |  |  |                                |                                   |
| Cash transfers in   | -  | -  | 1,834,813                      | 490,815                           |
| Cash transfers out  | (43,950)                                   | (4,500)  | -                              | (915,972)                         |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                       | <b>(43,950)</b>                            | <b>(4,500)</b>                                 | <b>1,834,813</b>               | <b>(425,157)</b>                  |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |  |  |                                |                                   |
| Acquisition and construction of capital assets  | -  | -  | (721,424)                      | (586,112)                         |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                               | <b>-</b>                                   | <b>-</b>                                       | <b>(721,424)</b>               | <b>(586,112)</b>                  |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>(254,228)</b>                           | <b>350,597</b>                                 | <b>598,158</b>                 | <b>(8,857)</b>                    |
| Cash and Cash Equivalents at Beginning of Year  | 1,884,839                                  | 4,180,586                                      | 8,754,231                      | 5,379,876                         |
| <b>Cash and Cash Equivalents at End of Year</b>   | <b>\$ 1,630,611</b>                        | <b>\$ 4,531,183</b>                            | <b>\$ 9,352,389</b>            | <b>\$ 5,371,019</b>               |
| <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>            |  |  |                                |                                   |
| Operating income (loss)   | \$ (299,284)                               | \$ 469,479                                     | \$ (611,982)                   | \$ 861,547                        |
| <b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b> |  |  |                                |                                   |
| Depreciation  | -  | -  | 569,090                        | 298,535                           |
| (Increase) decrease in accounts receivable  | -  | -  | -                              | 50                                |
| (Increase) decrease in prepaid costs  | -  | -  | -                              | 3,877                             |
| (Increase) decrease in inventories  | -  | -  | -                              | 871                               |
| Increase (decrease) in accounts payable   | (24,688)                                   | 6,107  | (474,922)                      | (207,686)                         |
| Increase (decrease) in accrued liabilities  | (2,096)                                    | (806)  | (38,132)                       | (14,701)                          |
| Increase (decrease) in self-insurance payable   | 108,000                                    | (122,000)                                      | -                              | -                                 |
| Increase (decrease) in compensated absences   | 7,790                                      | 2,317  | 40,715                         | 59,919                            |
| <b>Total Adjustments</b>  | <b>89,006</b>                              | <b>(114,382)</b>                               | <b>96,751</b>                  | <b>140,865</b>                    |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ (210,278)</b>                        | <b>\$ 355,097</b>                              | <b>\$ (515,231)</b>            | <b>\$ 1,002,412</b>               |

**Non-Cash Investing, Capital, and Financing Activities:**

There was no noncash investing, capital or noncapital financing activities for the year ended June 30, 2014.

| <b>Equipment Maintenance</b> | <b>Equipment Replacement Reserve</b> | <b>Totals</b>               |
|------------------------------|--------------------------------------|-----------------------------|
| \$ 725,073                   | \$ 2,762,666                         | \$ 13,206,585               |
| (549,672)                    | -                                    | (5,692,713)                 |
| -                            | -                                    | (863,758)                   |
| (214,855)                    | -                                    | (3,294,902)                 |
| <b><u>(39,454)</u></b>       | <b><u>2,762,666</u></b>              | <b><u>3,355,212</u></b>     |
|                              |                                      |                             |
| -                            | -                                    | 2,325,628                   |
| -                            | (3,147,088)                          | (4,111,510)                 |
| <b><u>-</u></b>              | <b><u>(3,147,088)</u></b>            | <b><u>(1,785,882)</u></b>   |
|                              |                                      |                             |
| -                            | -                                    | (1,307,536)                 |
| <b><u>-</u></b>              | <b><u>-</u></b>                      | <b><u>(1,307,536)</u></b>   |
| <b><u>(39,454)</u></b>       | <b><u>(384,422)</u></b>              | <b><u>261,794</u></b>       |
| <b><u>215,673</u></b>        | <b><u>20,663,339</u></b>             | <b><u>41,078,544</u></b>    |
| <b><u>\$ 176,219</u></b>     | <b><u>\$ 20,278,917</u></b>          | <b><u>\$ 41,340,338</u></b> |
|                              |                                      |                             |
| <b><u>\$ (32,420)</u></b>    | <b><u>\$ 2,717,636</u></b>           | <b><u>\$ 3,104,976</u></b>  |
|                              |                                      |                             |
| 2,948                        | 45,030                               | 915,603                     |
| -                            | -                                    | 50                          |
| -                            | -                                    | 3,877                       |
| 2,025                        | -                                    | 2,896                       |
| (10,760)                     | -                                    | (711,949)                   |
| (4,564)                      | -                                    | (60,299)                    |
| -                            | -                                    | (14,000)                    |
| 3,317                        | -                                    | 114,058                     |
| <b><u>(7,034)</u></b>        | <b><u>45,030</u></b>                 | <b><u>250,236</u></b>       |
| <b><u>\$ (39,454)</u></b>    | <b><u>\$ 2,762,666</u></b>           | <b><u>\$ 3,355,212</u></b>  |

**Cash Flows from Operating Activities:**

Cash received from customers  
 Cash paid to suppliers for goods and services  
 Cash paid for claims  
 Cash paid to employees for services

**Net Cash Provided (Used) by Operating Activities**

**Cash Flows from Non-Capital Financing Activities:**

Cash transfers in  
 Cash transfers out

**Net Cash Provided (Used) by Non-Capital Financing Activities**

**Cash Flows from Capital and Related Financing Activities:**

Acquisition and construction of capital assets

**Net Cash Provided (Used) by Capital and Related Financing Activities**

**Net Increase (Decrease) in Cash and Cash Equivalents**

Cash and Cash Equivalents at Beginning of Year

**Cash and Cash Equivalents at End of Year**

**Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:**

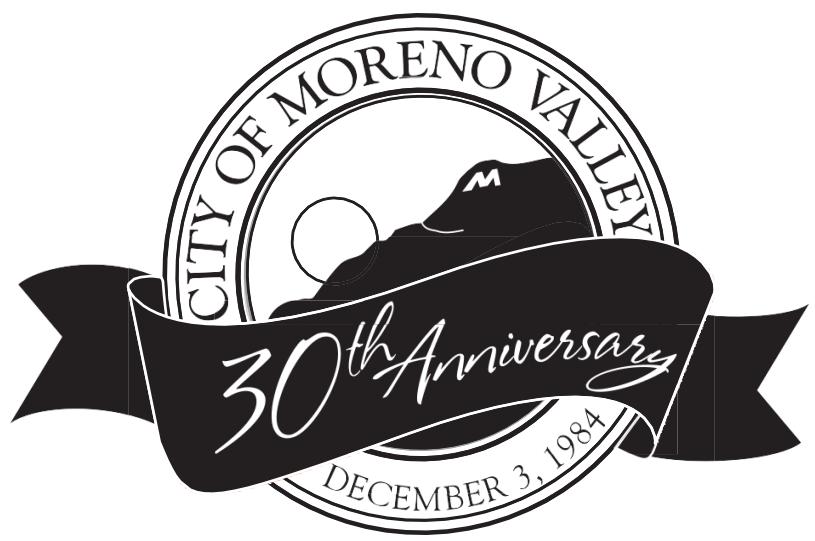
Operating income (loss)

**Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:**

Depreciation  
 (Increase) decrease in accounts receivable  
 (Increase) decrease in prepaid costs  
 (Increase) decrease in inventories  
 Increase (decrease) in accounts payable  
 Increase (decrease) in accrued liabilities  
 Increase (decrease) in self-insurance payable  
 Increase (decrease) in compensated absences

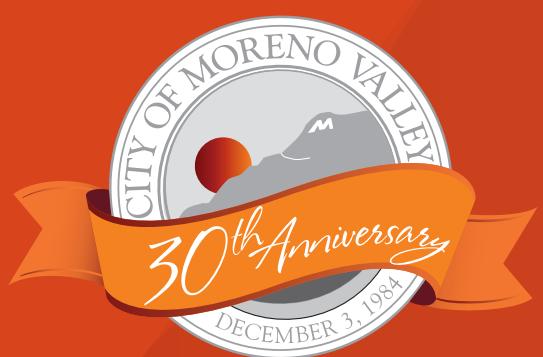
**Total Adjustments**

**Net Cash Provided (Used) by Operating Activities**



Agency Funds

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year  
Ended June 30, 2014



## **AGENCY FUNDS**

### **Deposit Liability Fund**

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

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

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

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

This fund is used to account for the receipt and remittance of special assessments for the Assessment District 98-1 Limited Obligation Improvement Bonds. The bonds are not secured by the general taxing power of the City, the State of California or any other political subdivision thereof, and neither the City nor the State, nor any potential subdivision thereof, has pledged its full faith and credit for the payment thereof.

### **TUMF Trust Fund**

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

### **MSHCP Trust Fund**

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

### **Moreno Valley Foundation Donations Fund**

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

### **CFD #5 Stoneridge Fund**

This fund is used to account for the receipt and remittance of special taxes for the CFD #5 Stoneridge Special Tax Bonds. The bonds are not secured by the general taxing power of the City, the State of California or any other political subdivision thereof, and neither the City nor the State, nor any potential subdivision thereof, has pledged its full faith and credit for the payment thereof.

### **Riverside County Flood Control and Water Conservation District Fund**

This fund is used to account for receipt and disbursements of the District's tax increment for flood control improvement projects.

### **Arts Commission Fund**

This fund is used to account for funds received to encourage, stimulate, promote and foster programs for the cultural enrichment of the City, thereby contributing to the quality of life of its residents. This fund also accounts for funding received to develop an awareness of the value of arts in Moreno Valley's business community, local government and the general public.

**City of Moreno Valley**

**Combining Balance Sheet**  
**All Agency Funds**  
**June 30, 2014**

|                             | <b>Deposit<br/>Liability</b> | <b>Assessment<br/>District 87-4</b> | <b>Assessment<br/>District 98-1</b> | <b>TUMF Trust</b> | <b>MSHCP Trust</b> |
|-----------------------------|------------------------------|-------------------------------------|-------------------------------------|-------------------|--------------------|
| <b>Assets:</b>              |                              |                                     |                                     |                   |                    |
| Pooled cash and investments | \$ 4,023,826                 | \$ -                                | \$ 2,704                            | \$ 141,968        | \$ 11,628          |
| Restricted assets:          |                              |                                     |                                     |                   |                    |
| Cash with fiscal agents     | <u>-</u>                     | <u>-</u>                            | <u>-</u>                            | <u>-</u>          | <u>-</u>           |
| <b>Total Assets</b>         | <b>\$ 4,023,826</b>          | <b>\$ -</b>                         | <b>\$ 2,704</b>                     | <b>\$ 141,968</b> | <b>\$ 11,628</b>   |
| <b>Liabilities:</b>         |                              |                                     |                                     |                   |                    |
| Accounts payable            | \$ 30,766                    | \$ -                                | \$ 2,704                            | \$ 141,968        | \$ 11,628          |
| Deposits payable            | 3,993,060                    | -                                   | -                                   | -                 | -                  |
| Payable to trustee          | <u>-</u>                     | <u>-</u>                            | <u>-</u>                            | <u>-</u>          | <u>-</u>           |
| <b>Total Liabilities</b>    | <b>\$ 4,023,826</b>          | <b>\$ -</b>                         | <b>\$ 2,704</b>                     | <b>\$ 141,968</b> | <b>\$ 11,628</b>   |

| Moreno Valley<br>Foundation<br>Donations |                   | Riverside<br>County Flood<br>Control and<br>Water<br>Conservation<br>District |                 | Arts<br>Commission  | Totals  |
|--|-------------------|---|-----------------|---------------------|---|
| \$ 221,650                               | \$ 22,500         | \$ 447,054  | \$ 2,597        | \$ 4,873,927        |   |
| -  | 749,308           | -   | -               | 749,308             |   |
| <b>\$ 221,650</b>                        | <b>\$ 771,808</b> | <b>\$ 447,054</b>   | <b>\$ 2,597</b> | <b>\$ 5,623,235</b> |   |
| <br><br><br><br><br><br>                 |                   |   |                 |                     |   |
| \$ -                                     | \$ -              | \$ -  | \$ 27           | \$ 187,093          | <b>Assets:</b>                                |
| -  | -                 | -   | -               | 3,993,060           | Pooled cash and investments                   |
| 221,650                                  | 771,808           | 447,054   | 2,570           | 1,443,082           | Restricted assets:<br>Cash with fiscal agents |
| <b>\$ 221,650</b>                        | <b>\$ 771,808</b> | <b>\$ 447,054</b>   | <b>\$ 2,597</b> | <b>\$ 5,623,235</b> | <b>Total Assets</b>                           |
| <br><br><br><br><br><br>                 |                   |   |                 |                     |   |
| \$ -                                     | \$ -              | \$ -  | \$ -            | \$ -                | <b>Liabilities:</b>                           |
| -  | -                 | -   | -               | -                   | Accounts payable                              |
| 221,650                                  | 771,808           | 447,054   | 2,570           | 1,443,082           | Deposits payable                              |
| <b>\$ 221,650</b>                        | <b>\$ 771,808</b> | <b>\$ 447,054</b>   | <b>\$ 2,597</b> | <b>\$ 5,623,235</b> | <b>Total Liabilities</b>                      |

City of Moreno Valley

**Combining Statement of Changes in Assets and Liabilities**

All Agency Funds

Year Ended June 30, 2014

|  | <u>Balance<br/>7/1/2013</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance<br/>6/30/2014</u> |
|--|-----------------------------|---------------------|---------------------|------------------------------|
| <b><u>Deposit Liability</u></b>        |                             |                     |                     |                              |
| <b>Assets:</b>                         |                             |                     |                     |                              |
| Pooled cash and investments            | \$ 4,119,614                | \$ 2,178,470        | \$ 2,274,258        | \$ 4,023,826                 |
| <b>Total Assets</b>                    | <b>\$ 4,119,614</b>         | <b>\$ 2,178,470</b> | <b>\$ 2,274,258</b> | <b>\$ 4,023,826</b>          |
| <b>Liabilities:</b>                    |                             |                     |                     |                              |
| Accounts payable                       | \$ 12,747                   | \$ 960,805          | \$ 942,786          | \$ 30,766                    |
| Deposits payable                       | 4,106,867                   | 2,178,470           | 2,292,277           | 3,993,060                    |
| <b>Total Liabilities</b>               | <b>\$ 4,119,614</b>         | <b>\$ 3,139,275</b> | <b>\$ 3,235,063</b> | <b>\$ 4,023,826</b>          |
| <b><u>Assessment District 87-4</u></b> |                             |                     |                     |                              |
| <b>Assets:</b>                         |                             |                     |                     |                              |
| Pooled cash and investments            | \$ 105,577                  | \$ 93               | \$ 105,670          | \$ -                         |
| Due from other governments             | 93                          | -                   | 93                  | -                            |
| <b>Total Assets</b>                    | <b>\$ 105,670</b>           | <b>\$ 93</b>        | <b>\$ 105,763</b>   | <b>\$ -</b>                  |
| <b>Liabilities:</b>                    |                             |                     |                     |                              |
| Payable to trustee                     | \$ 105,670                  | \$ -                | \$ 105,670          | \$ -                         |
| <b>Total Liabilities</b>               | <b>\$ 105,670</b>           | <b>\$ -</b>         | <b>\$ 105,670</b>   | <b>\$ -</b>                  |
| <b><u>Assessment District 98-1</u></b> |                             |                     |                     |                              |
| <b>Assets:</b>                         |                             |                     |                     |                              |
| Pooled cash and investments            | \$ 2,649                    | \$ 55               | \$ -                | \$ 2,704                     |
| <b>Total Assets</b>                    | <b>\$ 2,649</b>             | <b>\$ 55</b>        | <b>\$ -</b>         | <b>\$ 2,704</b>              |
| <b>Liabilities:</b>                    |                             |                     |                     |                              |
| Accounts payable                       | \$ -                        | \$ 2,704            | \$ -                | \$ 2,704                     |
| Payable to trustee                     | 2,649                       | 55                  | 2,704               | -                            |
| <b>Total Liabilities</b>               | <b>\$ 2,649</b>             | <b>\$ 2,759</b>     | <b>\$ 2,704</b>     | <b>\$ 2,704</b>              |
| <b><u>TUMF Trust</u></b>               |                             |                     |                     |                              |
| <b>Assets:</b>                         |                             |                     |                     |                              |
| Pooled cash and investments            | \$ -                        | \$ 2,455,556        | \$ 2,313,588        | \$ 141,968                   |
| <b>Total Assets</b>                    | <b>\$ -</b>                 | <b>\$ 2,455,556</b> | <b>\$ 2,313,588</b> | <b>\$ 141,968</b>            |
| <b>Liabilities:</b>                    |                             |                     |                     |                              |
| Accounts payable                       | \$ -                        | \$ 2,455,556        | \$ 2,313,588        | \$ 141,968                   |
| <b>Total Liabilities</b>               | <b>\$ -</b>                 | <b>\$ 2,455,556</b> | <b>\$ 2,313,588</b> | <b>\$ 141,968</b>            |
| <b><u>MSHCP Trust</u></b>              |                             |                     |                     |                              |
| <b>Assets:</b>                         |                             |                     |                     |                              |
| Pooled cash and investments            | \$ 23,256                   | \$ 2,275,137        | \$ 2,286,765        | \$ 11,628                    |
| <b>Total Assets</b>                    | <b>\$ 23,256</b>            | <b>\$ 2,275,137</b> | <b>\$ 2,286,765</b> | <b>\$ 11,628</b>             |
| <b>Liabilities:</b>                    |                             |                     |                     |                              |
| Accounts payable                       | \$ 23,256                   | \$ 2,275,137        | \$ 2,286,765        | \$ 11,628                    |
| <b>Total Liabilities</b>               | <b>\$ 23,256</b>            | <b>\$ 2,275,137</b> | <b>\$ 2,286,765</b> | <b>\$ 11,628</b>             |

**City of Moreno Valley**

**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**Year Ended June 30, 2014**

|  | <u>Balance<br/>7/1/2013</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance<br/>6/30/2014</u> |
|--|-----------------------------|---------------------|---------------------|------------------------------|
| <b><u>Moreno Valley Foundation Donations</u></b>                             |                             |                     |                     |                              |
| <b>Assets:</b>   |                             |                     |                     |                              |
| Pooled cash and investments  | \$ 221,650                  | \$ -                | \$ -                | \$ 221,650                   |
| <b>Total Assets</b>  | <b>\$ 221,650</b>           | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 221,650</b>            |
| <b>Liabilities:</b>  |                             |                     |                     |                              |
| Payable to trustee   | \$ 221,650                  | \$ -                | \$ -                | \$ 221,650                   |
| <b>Total Liabilities</b>   | <b>\$ 221,650</b>           | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 221,650</b>            |
| <b><u>CFD # 5 Stoneridge</u></b>   |                             |                     |                     |                              |
| <b>Assets:</b>   |                             |                     |                     |                              |
| Pooled cash and investments  | \$ -                        | \$ 473,068          | \$ 450,568          | \$ 22,500                    |
| Restricted assets:   |                             |                     |                     |                              |
| Cash and investments with fiscal agents                                      | 763,813                     | 423,041             | 437,546             | 749,308                      |
| <b>Total Assets</b>  | <b>\$ 763,813</b>           | <b>\$ 896,109</b>   | <b>\$ 888,114</b>   | <b>\$ 771,808</b>            |
| <b>Liabilities:</b>  |                             |                     |                     |                              |
| Due to other governments   | \$ 4,116                    | \$ -                | \$ 4,116            | \$ -                         |
| Payable to trustee   | 759,697                     | 396,624             | 384,513             | 771,808                      |
| <b>Total Liabilities</b>   | <b>\$ 763,813</b>           | <b>\$ 396,624</b>   | <b>\$ 388,629</b>   | <b>\$ 771,808</b>            |
| <b><u>Riverside County Flood Control and Water Conservation District</u></b> |                             |                     |                     |                              |
| <b>Assets:</b>   |                             |                     |                     |                              |
| Pooled cash and investments  | \$ 455,446                  | \$ -                | \$ 8,392            | \$ 447,054                   |
| <b>Total Assets</b>  | <b>\$ 455,446</b>           | <b>\$ -</b>         | <b>\$ 8,392</b>     | <b>\$ 447,054</b>            |
| <b>Liabilities:</b>  |                             |                     |                     |                              |
| Payable to trustee   | \$ 455,446                  | \$ -                | \$ 8,392            | \$ 447,054                   |
| <b>Total Liabilities</b>   | <b>\$ 455,446</b>           | <b>\$ -</b>         | <b>\$ 8,392</b>     | <b>\$ 447,054</b>            |
| <b><u>Arts Commission</u></b>  |                             |                     |                     |                              |
| <b>Assets:</b>   |                             |                     |                     |                              |
| Pooled cash and investments  | \$ 4,968                    | \$ 310              | \$ 2,681            | \$ 2,597                     |
| <b>Total Assets</b>  | <b>\$ 4,968</b>             | <b>\$ 310</b>       | <b>\$ 2,681</b>     | <b>\$ 2,597</b>              |
| <b>Liabilities:</b>  |                             |                     |                     |                              |
| Accounts payable   | \$ -                        | \$ 1,210            | \$ 1,183            | \$ 27                        |
| Payable to trustee   | 4,968                       | -                   | 2,398               | 2,570                        |
| <b>Total Liabilities</b>   | <b>\$ 4,968</b>             | <b>\$ 1,210</b>     | <b>\$ 3,581</b>     | <b>\$ 2,597</b>              |
| <b><u>Totals - All Agency Funds</u></b>                                      |                             |                     |                     |                              |
| <b>Assets:</b>   |                             |                     |                     |                              |
| Pooled cash and investments  | \$ 4,933,160                | \$ 7,382,689        | \$ 7,441,922        | \$ 4,873,927                 |
| Due from other governments   | 93                          | -                   | 93                  | -                            |
| Restricted assets:   |                             |                     |                     |                              |
| Cash and investments with fiscal agents                                      | 763,813                     | 423,041             | 437,546             | 749,308                      |
| <b>Total Assets</b>  | <b>\$ 5,697,066</b>         | <b>\$ 7,805,730</b> | <b>\$ 7,879,561</b> | <b>\$ 5,623,235</b>          |
| <b>Liabilities:</b>  |                             |                     |                     |                              |
| Accounts payable   | \$ 36,003                   | \$ 5,695,412        | \$ 5,544,322        | \$ 187,093                   |
| Deposits payable   | 4,106,867                   | 2,178,470           | 2,292,277           | 3,993,060                    |
| Due to other governments   | 4,116                       | -                   | 4,116               | -                            |
| Payable to trustee   | 1,550,080                   | 396,679             | 503,677             | 1,443,082                    |
| <b>Total Liabilities</b>   | <b>\$ 5,697,066</b>         | <b>\$ 8,270,561</b> | <b>\$ 8,344,392</b> | <b>\$ 5,623,235</b>          |



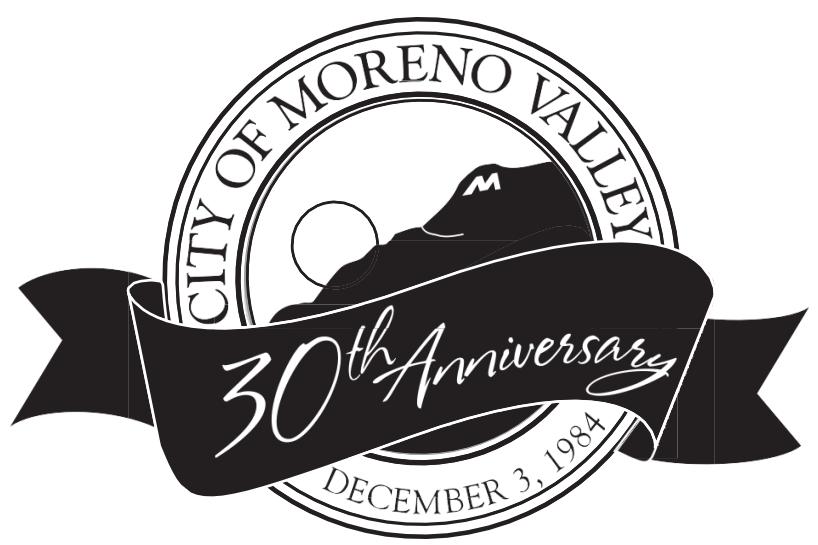
Capital Assets

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year  
Ended June 30, 2014

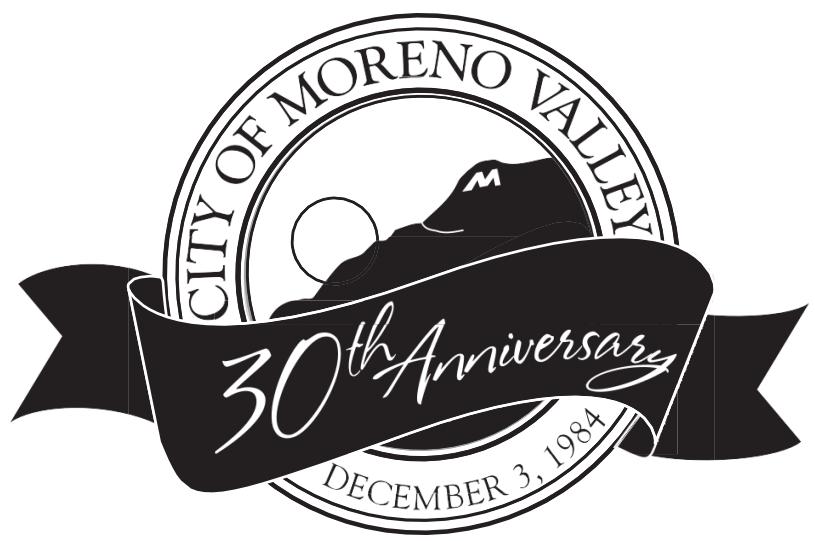




**City of Moreno Valley**  
**Schedule of General Capital Assets**  
**By Function and Activity**  
**June 30, 2014**

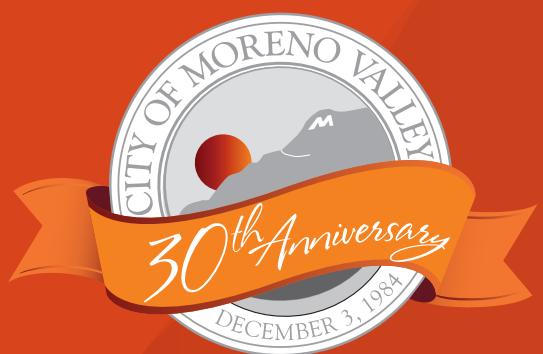
| <b>Function and Activity:</b>    | <b>Land</b>                  | <b>CIP</b>                  | <b>Buildings<br/>and<br/>Improvements</b> | <b>Furniture<br/>and<br/>Equipment</b> |
|----------------------------------|------------------------------|-----------------------------|---|--|
|                                  |                              |                             |   |  |
| General Government               |                              |                             |   |  |
| City Manager                     | \$ -                         | \$ -                        | \$ -                                      | \$ 773,300                             |
| City Clerk                       | -                            | -                           | -   | 319,048                                |
| Administrative Services          | 590,127                      | -                           | -   | 89,705                                 |
| Finance                          | 55,204,836                   | -                           | 18,996,277                                | 1,328,099                              |
| Total General Government         | <u>55,794,963</u>            | <u>-</u>                    | <u>18,996,277</u>                         | <u>2,510,152</u>                       |
| Public Safety                    |                              |                             |   |  |
| Police                           | 1,030,444                    | -                           | 11,787,424                                | 1,341,853                              |
| Fire                             | 1,457,861                    | -                           | 28,205,362                                | 541,768                                |
| Total Public Safety              | <u>2,488,305</u>             | <u>-</u>                    | <u>39,992,786</u>                         | <u>1,883,621</u>                       |
| Public Works                     | 251,134,384                  | 24,499,898                  | -   | 1,169,056                              |
| Community & Economic Development | -                            | -                           | 5,965,157                                 | 132,501                                |
| Community Services District      | 779,584                      | 1,054,137                   | 50,514,544                                | 2,599,873                              |
| Internal Service Funds           | -                            | 186,937                     | 14,613,180                                | 9,281,165                              |
| <b>Grand Total</b>               | <b><u>\$ 310,197,236</u></b> | <b><u>\$ 25,740,972</u></b> | <b><u>\$ 130,081,944</u></b>              | <b><u>\$ 17,576,368</u></b>            |

| <b>Vehicles</b>     | <b>Infrastructure</b> | <b>Total</b>            | <b>Function and Activity:</b>    |
|---------------------|-----------------------|-------------------------|----------------------------------|
| \$ 99,428           | \$ -                  | \$ 872,728              | General Government               |
| -                   | -                     | 319,048                 | City Manager                     |
| 82,896              | -                     | 762,728                 | City Clerk                       |
| 760,379             | 9,933,571             | 86,223,162              | Administrative Services          |
| <b>942,703</b>      | <b>9,933,571</b>      | <b>88,177,666</b>       | Finance                          |
|                     |                       |                         | <b>Total General Government</b>  |
|                     |                       |                         | Public Safety                    |
| 1,151,752           | -                     | 15,311,473              | Police                           |
| 2,182,501           | -                     | 32,387,492              | Fire                             |
| <b>3,334,253</b>    | <b>-</b>              | <b>47,698,965</b>       | <b>Total Public Safety</b>       |
| 3,023,173           | 771,869,229           | 1,051,695,740           | Public Works                     |
| 446,156             | -                     | 6,543,814               | Community & Economic Development |
| 864,722             | 101,457               | 55,914,317              | Community Services District      |
| 666,542             | 253,113               | 25,000,937              | Internal Service Funds           |
| <b>\$ 9,277,549</b> | <b>\$ 782,157,370</b> | <b>\$ 1,275,031,439</b> | <b>Grand Total</b>               |



## Statistical Section

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

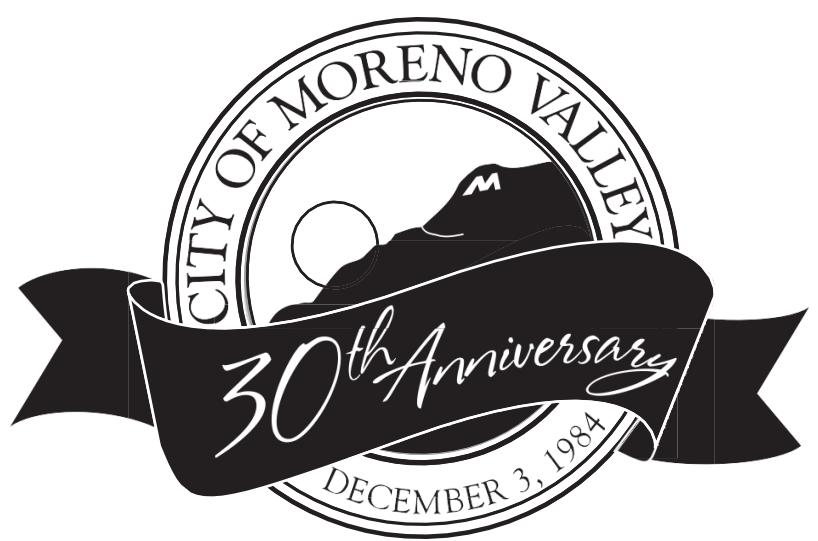


Fiscal Year  
Ended June 30, 2014

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

| <u>Contents</u>  | <u>Page #</u> |
|--|---------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.   | 179           |
| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its key revenues.  | 184           |
| <b>Debt Capacity</b><br>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.  | 190           |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and help make comparisons over time and with other governments. | 195           |
| <b>Operating Information</b><br>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.                     | 197           |

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2003.



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

|   | <b>2005</b>           | <b>2006</b>           | <b>2007</b>           | <b>2008</b>           | <b>2009</b>           | <b>2010</b>           | <b>2011</b>           | <b>2012</b>           | <b>2013</b>             | <b>2014</b>             |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| <b>Governmental activities</b>              |                       |                       |                       |                       |                       |                       |                       |                       |                         |                         |
| Net investment in capital assets            | \$ 475,642,146        | \$ 523,083,597        | \$ 594,870,636        | \$ 622,102,140        | \$ 704,987,685        | \$ 768,345,954        | \$ 784,881,452        | \$ 757,856,437        | \$ 812,637,341          | \$ 841,259,763          |
| Restricted for:                             |                       |                       |                       |                       |                       |                       |                       |                       |                         |                         |
| Community development projects              | 6,404,249             | 10,076,376            | -                     | 41,908,201            | 19,960,752            | 36,341,964            | 7,079,640             | 37,716,605            | 38,269,946              | 47,104,275              |
| Community and cultural                      | -                     | -                     | -                     | 8,259,181             | -                     | 8,368,534             | 8,968,479             | 10,880,981            | 12,219,506              | 13,201,156              |
| Public safety                               | 2,649,176             | 1,655,374             | 973,667               | 663,854               | 280,107               | 2,103,241             | 644,786               | 626,545               | 328,561                 | 328,236                 |
| Public works/capital projects               | 47,442,301            | 60,687,985            | 66,493,508            | 79,745,801            | 71,335,816            | 61,365,635            | 109,095,517           | 27,654,589            | 40,264,691              | 56,388,219              |
| Debt service                                | 21,673,132            | 12,985,998            | 12,538,629            | 7,291,425             | 17,373,369            | 15,818,072            | 12,867,643            | 11,956,354            | 12,413,131              | 11,996,640              |
| Other Programs                              | -                     | -                     | 14,863,573            | 3,598,110             | 11,731,764            | 2,545,781             | 301,868               | 170,051               | 311,702                 | 538,101                 |
| Permanent funds-nonexpendable               | -                     | 59,359                | 62,537                | 64,692                | 66,436                | 169,287               | 170,162               | 188,335               | 191,646                 | 328,823                 |
| Unrestricted                                | 46,215,255            | 73,846,697            | 101,941,651           | 104,545,617           | 69,630,581            | 46,594,052            | 24,461,651            | 95,014,503            | 91,359,292              | 70,552,111              |
| Total Governmental activities net position  | <u>\$ 600,026,259</u> | <u>\$ 682,395,386</u> | <u>\$ 791,744,201</u> | <u>\$ 868,179,021</u> | <u>\$ 895,366,510</u> | <u>\$ 941,652,520</u> | <u>\$ 948,471,198</u> | <u>\$ 942,064,400</u> | <u>\$ 1,007,995,816</u> | <u>\$ 1,041,697,324</u> |
| <b>Business-type activities</b>             |                       |                       |                       |                       |                       |                       |                       |                       |                         |                         |
| Net investment in capital assets            | \$ 1,815,311          | \$ 18,151,135         | \$ 14,130,659         | \$ 14,110,399         | \$ 10,083,679         | \$ 12,201,754         | \$ 13,942,981         | \$ 8,396,845          | \$ 9,052,878            | \$ 9,569,296            |
| Restricted                                  | -                     | -                     | -                     | 1,604,444             | 948,207               | 1,767,402             | 1,158,200             | 1,702,037             | 2,520,912               | 3,444,969               |
| Regulatory contingencies                    |                       |                       |                       |                       |                       |                       |                       |                       |                         | 3,903,663               |
| Unrestricted                                | (799,941)             | (3,713,053)           | (634,406)             | (2,252,565)           | (4,023,374)           | (4,520,034)           | (5,623,674)           | (413,445)             | (652,825)               | 260,457                 |
| Total Business-type activities net position | <u>\$ 1,015,370</u>   | <u>\$ 14,438,082</u>  | <u>\$ 15,100,697</u>  | <u>\$ 12,806,041</u>  | <u>\$ 7,827,707</u>   | <u>\$ 8,839,920</u>   | <u>\$ 10,021,344</u>  | <u>\$ 10,504,312</u>  | <u>\$ 11,845,022</u>    | <u>\$ 13,733,416</u>    |
| <b>Primary government</b>                   |                       |                       |                       |                       |                       |                       |                       |                       |                         |                         |
| Net investment in capital assets            | \$ 477,457,457        | \$ 541,234,732        | \$ 609,001,295        | \$ 636,212,539        | \$ 715,071,364        | \$ 780,547,708        | \$ 798,824,433        | \$ 766,253,282        | \$ 821,690,219          | \$ 850,829,059          |
| Restricted for:                             |                       |                       |                       |                       |                       |                       |                       |                       |                         |                         |
| Community development projects              | 6,404,249             | 10,076,376            | -                     | 41,908,201            | 19,960,752            | 36,341,964            | 7,079,640             | 37,716,605            | 38,269,946              | 47,104,275              |
| Community and cultural                      | -                     | -                     | -                     | 8,259,181             | -                     | 8,368,534             | 8,968,479             | 10,880,981            | 12,219,506              | 13,201,156              |
| Public safety                               | 2,649,176             | 1,655,374             | 973,667               | 663,854               | 280,107               | 2,103,241             | 644,786               | 626,545               | 328,561                 | 328,236                 |
| Public works/capital projects               | 47,442,301            | 60,687,985            | 66,493,508            | 79,745,801            | 71,335,816            | 61,365,635            | 109,095,517           | 27,654,589            | 40,264,691              | 56,388,219              |
| Debt service                                | 21,673,132            | 12,985,998            | 12,538,629            | 7,291,425             | 17,373,369            | 15,818,072            | 12,867,643            | 11,956,354            | 12,413,131              | 11,996,640              |
| Other Programs                              | -                     | -                     | 14,863,573            | 3,598,110             | 11,731,764            | 2,545,781             | 301,868               | 170,051               | 311,702                 | 538,101                 |
| Permanent funds-nonexpendable               | -                     | 59,359                | 62,537                | 64,692                | 66,436                | 169,287               | 170,162               | 188,335               | 191,646                 | 328,823                 |
| Regulatory contingencies                    | -                     | -                     | 1,604,444             | 948,207               | 1,767,402             | 1,158,200             | 1,702,037             | 2,520,912             | 3,444,969               | 3,903,663               |
| Unrestricted                                | 45,415,314            | 70,133,644            | 101,307,245           | 102,293,052           | 65,607,207            | 42,074,018            | 18,837,977            | 94,601,058            | 90,706,467              | 70,812,568              |
| Total primary government net position       | <u>\$ 601,041,629</u> | <u>\$ 696,833,468</u> | <u>\$ 806,844,898</u> | <u>\$ 880,985,062</u> | <u>\$ 903,194,217</u> | <u>\$ 950,492,440</u> | <u>\$ 958,492,542</u> | <u>\$ 952,568,712</u> | <u>\$ 1,019,840,838</u> | <u>\$ 1,055,430,740</u> |

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

|   | <b>2005</b>           | <b>2006</b>           | <b>2007</b>           | <b>2008</b>           | <b>2009</b>           | <b>2010</b>           | <b>2011</b>           | <b>2012</b>           | <b>2013</b>           | <b>2014</b>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>                                 |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| <b>Governmental activities:</b>                 |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| General government                              | \$ 18,583,987         | \$ 12,817,483         | \$ 10,796,963         | \$ 14,416,941         | \$ 14,948,628         | \$ 12,093,157         | \$ 13,001,340         | \$ 11,326,363         | \$ 11,758,206         | \$ 12,081,325         |
| Public safety                                   | 42,797,971            | 47,282,305            | 43,415,662            | 54,412,284            | 50,856,439            | 58,165,412            | 59,640,431            | 56,037,192            | 56,896,151            | 53,578,915            |
| Community development                           | 10,041,715            | 13,666,378            | 9,643,084             | 10,964,507            | 12,036,237            | 29,663,451            | 10,003,780            | 11,317,359            | 11,886,089            | 7,755,380             |
| Community and cultural                          | 14,132,146            | 15,999,800            | 21,181,096            | 33,717,135            | 27,904,884            | 22,700,681            | 25,046,848            | 19,245,060            | 18,400,148            | 20,615,807            |
| Public works                                    | 11,352,870            | 10,273,707            | 30,750,411            | 29,247,892            | 36,095,949            | 14,990,867            | 34,432,579            | 36,159,171            | 39,467,695            | 43,540,207            |
| Interest on long-term debt                      | 5,514,358             | 8,079,935             | 8,724,134             | 12,081,884            | 10,334,932            | 9,126,054             | 8,333,540             | 6,415,304             | 2,552,119             | 4,031,673             |
| Total Governmental activities expenses          | <u>102,423,047</u>    | <u>108,119,608</u>    | <u>124,511,350</u>    | <u>154,840,643</u>    | <u>152,177,069</u>    | <u>146,739,622</u>    | <u>150,458,518</u>    | <u>140,500,449</u>    | <u>140,960,408</u>    | <u>141,603,307</u>    |
| <b>Business-type activities:</b>                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Electric  | 1,080,589             | 3,673,509             | 8,298,955             | 12,282,161            | 14,067,086            | 13,812,966            | 14,807,788            | 16,549,224            | 18,139,446            | 19,796,146            |
| Total business-type activities expenses         | <u>1,080,589</u>      | <u>3,673,509</u>      | <u>8,298,955</u>      | <u>12,282,161</u>     | <u>14,067,086</u>     | <u>13,812,966</u>     | <u>14,807,788</u>     | <u>16,549,224</u>     | <u>18,139,446</u>     | <u>19,796,146</u>     |
| Total primary government expenses               | <u>\$ 103,503,636</u> | <u>\$ 111,793,117</u> | <u>\$ 132,810,305</u> | <u>\$ 167,122,804</u> | <u>\$ 166,244,155</u> | <u>\$ 160,552,588</u> | <u>\$ 165,266,306</u> | <u>\$ 157,049,673</u> | <u>\$ 159,099,854</u> | <u>\$ 161,399,453</u> |
| <b>Program revenues</b>                         |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| <b>Governmental activities:</b>                 |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services:                           |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| General government                              | \$ 1,855,342          | \$ 2,447,730          | \$ 2,994,550          | \$ 1,329,861          | \$ 1,144,983          | \$ 3,148,712          | \$ 5,008,441          | \$ 7,056,028          | \$ 9,505,989          | \$ 5,057,964          |
| Public safety                                   | 1,158,745             | 2,040,725             | 1,212,229             | 4,948,923             | 6,559,817             | 4,371,535             | 2,787,962             | 2,738,303             | 2,951,403             | 3,077,843             |
| Community development                           | 10,814,238            | 12,576,280            | 12,947,546            | 6,962,389             | 7,607,316             | 4,071,460             | 4,911,984             | 5,973,104             | 4,821,911             | 7,620,631             |
| Community and cultural                          | 9,012,514             | 10,067,509            | 10,963,716            | 12,163,575            | 14,982,931            | 11,254,752            | 11,237,049            | 11,584,756            | 11,343,108            | 6,518,337             |
| Public works                                    | 14,639,669            | 20,523,959            | 10,612,170            | 19,134,172            | 7,840,754             | 2,264,619             | 3,364,804             | 1,495,407             | 3,109,029             | 2,604,218             |
| Operating contributions and grants:             |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| General government                              | 2,121,229             | 422,310               | 622,513               | -                     | 92,319                | 66,861                | 940,799               | 1,094,413             | 2,974,751             | 121,564               |
| Public safety                                   | 773,875               | 838,921               | 931,062               | 704,324               | 385,195               | 1,016,552             | 1,009,290             | 988,848               | 796,155               | 687,498               |
| Community development                           | 1,586,824             | 3,252,611             | 4,023,295             | 2,873,752             | 2,541,925             | 8,909,018             | 5,769,165             | 4,028,880             | 9,928,414             | 4,972,354             |
| Community and cultural                          | 68,396                | 133,325               | 100,777               | 6,911,186             | 5,936,040             | 5,174,090             | 6,635,271             | 6,284,823             | 7,166,971             | 7,515,185             |
| Public works                                    | 887,750               | 2,985,031             | 460,787               | 631,830               | 3,901,583             | 6,345,620             | 6,353,159             | 15,499,751            | 15,250,978            | 12,279,173            |
| Capital contributions and grants                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| General government                              | -                     | -                     | -                     | -                     | -                     | 31,307                | -                     | 5,056,545             | -                     | 17,576                |
| Public safety                                   | -                     | -                     | -                     | -                     | -                     | 146,606               | 534,771               | 893,608               | 357,393               | -                     |
| Community development                           | -                     | -                     | -                     | -                     | -                     | 918,785               | 20,180                | -                     | -                     | 9,729,528             |
| Community and cultural                          | -                     | -                     | -                     | -                     | 239,746               | -                     | -                     | -                     | -                     | -                     |
| Public works                                    | 2,160,498             | 24,442,306            | 74,752,980            | 74,004,139            | 31,573,778            | 70,826,175            | 29,208,716            | (270,863)             | 37,847,697            | 6,544,892             |
| Total governmental activities program revenues  | <u>45,079,080</u>     | <u>79,730,707</u>     | <u>119,621,625</u>    | <u>129,664,151</u>    | <u>82,806,387</u>     | <u>118,546,092</u>    | <u>77,781,591</u>     | <u>62,423,603</u>     | <u>106,053,799</u>    | <u>66,746,763</u>     |
| <b>Business-type activities:</b>                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Electric  | 1,356,555             | 11,445,287            | 8,712,097             | 10,311,654            | 12,430,482            | 13,326,364            | 15,671,939            | 16,778,766            | 19,098,088            | 20,213,736            |
| Capital contributions and grants                | -                     | -                     | 1,604,577             | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Total business-type activities program revenues | <u>1,356,555</u>      | <u>11,445,287</u>     | <u>10,316,674</u>     | <u>10,311,654</u>     | <u>12,430,482</u>     | <u>13,326,364</u>     | <u>15,671,939</u>     | <u>16,778,766</u>     | <u>19,098,088</u>     | <u>20,213,736</u>     |
| Total primary government program revenues       | <u>\$ 46,435,635</u>  | <u>\$ 91,175,994</u>  | <u>\$ 129,938,299</u> | <u>\$ 139,975,805</u> | <u>\$ 95,236,869</u>  | <u>\$ 131,872,456</u> | <u>\$ 93,453,530</u>  | <u>\$ 79,202,369</u>  | <u>\$ 125,151,887</u> | <u>\$ 86,960,499</u>  |

(Continued)

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

|   | <b>2005</b>                 | <b>2006</b>                 | <b>2007</b>                  | <b>2008</b>                  | <b>2009</b>                 | <b>2010</b>                 | <b>2011</b>                 | <b>2012</b>                 | <b>2013</b>                  | <b>2014</b>                  |
|---|-----------------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Net (Expense)/Revenue                                 |                             |                             |                              |                              |                             |                             |                             |                             |                              |                              |
| Governmental activities                               | \$ (57,343,967)             | \$ (28,388,901)             | \$ (4,889,725)               | \$ (25,176,492)              | \$ (69,370,682)             | \$ (28,193,530)             | \$ (72,676,927)             | \$ (78,076,846)             | \$ (34,906,609)              | \$ (74,856,544)              |
| Business-type activities                              | 275,966                     | 7,771,778                   | 2,017,719                    | (1,970,507)                  | (1,636,604)                 | (486,602)                   | 864,151                     | 229,542                     | 958,642                      | 417,590                      |
| Total primary government net (expense)/revenue        | <u>\$ (57,068,001)</u>      | <u>\$ (20,617,123)</u>      | <u>\$ (2,872,006)</u>        | <u>\$ (27,146,999)</u>       | <u>\$ (71,007,286)</u>      | <u>\$ (28,680,132)</u>      | <u>\$ (71,812,776)</u>      | <u>\$ (77,847,304)</u>      | <u>\$ (33,947,967)</u>       | <u>\$ (74,438,954)</u>       |
| General Revenues and Other Changes in Net Position    |                             |                             |                              |                              |                             |                             |                             |                             |                              |                              |
| Governmental activities:                              |                             |                             |                              |                              |                             |                             |                             |                             |                              |                              |
| Taxes:  |                             |                             |                              |                              |                             |                             |                             |                             |                              |                              |
| Property taxes  | \$ 19,678,253               | \$ 18,001,808               | \$ 23,379,735                | \$ 30,351,211                | \$ 28,316,208               | \$ 16,836,699               | \$ 22,699,683               | \$ 18,342,475               | \$ 13,088,911                | \$ 14,281,943                |
| Property taxes in lieu                                | 8,644,834                   | 12,068,070                  | 14,150,000                   | 16,728,600                   | 16,791,078                  | 13,703,197                  | 13,055,796                  | 13,170,964                  | 13,414,446                   | 13,871,754                   |
| Transient occupancy tax                               | 519,193                     | 582,307                     | 586,383                      | 593,009                      | 497,936                     | 535,775                     | 692,586                     | 747,100                     | 831,881                      | 991,431                      |
| Sales tax   | 18,054,078                  | 12,275,626                  | 15,701,460                   | 13,623,654                   | 12,163,719                  | 10,982,811                  | 12,277,450                  | 14,003,993                  | 14,043,560                   | 15,887,129                   |
| Franchise taxes                                       | 3,791,547                   | 4,099,859                   | 4,349,870                    | 4,381,882                    | 4,876,055                   | 4,607,594                   | 4,888,143                   | 5,008,507                   | 5,147,342                    | 5,361,531                    |
| Business license taxes                                | 1,457,521                   | 1,240,764                   | 1,315,039                    | 1,111,021                    | 1,051,702                   | 961,303                     | 1,053,146                   | 1,175,104                   | 1,305,925                    | 1,581,918                    |
| Utility users tax                                     | 12,527,514                  | 13,811,740                  | 15,463,291                   | 15,186,616                   | 15,081,286                  | 15,358,341                  | 15,317,439                  | 15,591,386                  | 15,683,931                   | 15,595,141                   |
| Other taxes   | 4,497,323                   | 5,448,829                   | 6,320,978                    | 2,620,059                    | 2,683,193                   | 2,278,529                   | 1,204,064                   | 1,155,334                   | 1,325,025                    | 6,467,203                    |
| Franchise in lieu taxes                               | 9,699                       | 42,788                      | 78,573                       | 96,816                       | 120,969                     | 132,548                     | 150,456                     | 168,267                     | 189,577                      | 194,943                      |
| Documentary transfer tax                              | 1,391,199                   | 1,548,205                   | 972,995                      | 575,003                      | 598,084                     | 479,208                     | 424,931                     | 434,554                     | 350,413                      | 447,103                      |
| Intergovernmental-motor vehicle in lieu, unrestricted | 3,484,623                   | 11,899,563                  | 16,054,145                   | 800,667                      | 865,718                     | 547,188                     | -                           | -                           | -                            | -                            |
| Use of property and money                             | 5,295,415                   | 6,959,412                   | 13,467,580                   | 16,380,462                   | 9,381,199                   | 10,850,116                  | 5,298,098                   | 8,708,429                   | 2,236,328                    | 4,718,739                    |
| Gain on sale of capital assets                        | -                           | -                           | -                            | 2,575                        | -                           | -                           | 605                         | -                           | -                            | -                            |
| Miscellaneous   | 5,435,103                   | 1,820,976                   | 405,679                      | 885,602                      | 1,787,772                   | 1,238,641                   | 2,784,308                   | 469,671                     | 1,728,104                    | 696,377                      |
| Extraordinary items                                   | -                           | -                           | -                            | -                            | -                           | -                           | -                           | (7,305,736)                 | 31,492,582                   | 26,364,076                   |
| Transfers   | (16,857)                    | (1,257,370)                 | (75,851)                     | 61,817                       | 653,554                     | 225,192                     | (107,841)                   | -                           | -                            | (904,032)                    |
| Total governmental activities                         | <u>\$ 84,769,445</u>        | <u>\$ 88,542,577</u>        | <u>\$ 112,169,877</u>        | <u>\$ 103,398,994</u>        | <u>\$ 94,868,473</u>        | <u>\$ 78,737,142</u>        | <u>\$ 79,738,864</u>        | <u>\$ 71,670,048</u>        | <u>\$ 100,838,025</u>        | <u>\$ 105,555,256</u>        |
| Business-type activities                              |                             |                             |                              |                              |                             |                             |                             |                             |                              |                              |
| Use of property and money                             | -                           | -                           | -                            | -                            | -                           | 61,428                      | 29,540                      | 89,183                      | 8,848                        | 35,249                       |
| Other   | 589,027                     | -                           | -                            | -                            | 131,033                     | 1,250,000                   | 179,892                     | 164,243                     | 373,220                      | 531,523                      |
| Transfers   | 16,857                      | 1,257,370                   | 75,851                       | (61,817)                     | (653,554)                   | (225,192)                   | 107,841                     | -                           | -                            | 904,032                      |
| Total business-type activities                        | <u>\$ 605,884</u>           | <u>\$ 1,257,370</u>         | <u>\$ 75,851</u>             | <u>\$ (61,817)</u>           | <u>\$ (522,521)</u>         | <u>\$ 1,086,236</u>         | <u>\$ 317,273</u>           | <u>\$ 253,426</u>           | <u>\$ 382,068</u>            | <u>\$ 1,470,804</u>          |
| Total primary government                              | <u><u>\$ 85,375,329</u></u> | <u><u>\$ 89,799,947</u></u> | <u><u>\$ 112,245,728</u></u> | <u><u>\$ 103,337,177</u></u> | <u><u>\$ 94,345,952</u></u> | <u><u>\$ 79,823,378</u></u> | <u><u>\$ 80,056,137</u></u> | <u><u>\$ 71,923,474</u></u> | <u><u>\$ 101,220,093</u></u> | <u><u>\$ 107,026,060</u></u> |
| Change in Net Position                                |                             |                             |                              |                              |                             |                             |                             |                             |                              |                              |
| Government activities                                 | \$ 27,425,478               | \$ 60,153,676               | \$ 107,280,152               | \$ 78,222,502                | \$ 25,497,791               | \$ 50,543,612               | \$ 7,061,937                | \$ (6,406,798)              | \$ 65,931,416                | \$ 30,698,712                |
| Business-type activities                              | 881,850                     | 9,029,148                   | 2,093,570                    | (2,032,324)                  | (2,159,125)                 | 599,634                     | 1,181,424                   | 482,968                     | 1,340,710                    | 1,888,394                    |
| Total primary government                              | <u>\$ 28,307,328</u>        | <u>\$ 69,182,824</u>        | <u>\$ 109,373,722</u>        | <u>\$ 76,190,178</u>         | <u>\$ 23,338,666</u>        | <u>\$ 51,143,246</u>        | <u>\$ 8,243,361</u>         | <u>\$ (5,923,830)</u>       | <u>\$ 67,272,126</u>         | <u>\$ 32,587,106</u>         |

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

|                         | <u>2005</u>         | <u>2006</u>          | <u>2007</u>           | <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           | <u>2014</u>           |
|-------------------------|---------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Fund            |                     |                      |                       |                       |                       |                       |                       |                       |                       |                       |
| Reserved                | \$ 6,052,320        | \$ 11,808,994        | \$ 13,580,492         | \$ 35,752,164         | \$ 34,787,698         | \$ 33,788,960         | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| Unreserved              | 24,992,976          | 25,920,111           | 39,494,188            | 21,937,845            | 17,066,883            | 17,500,579            | -                     | 5,716,008             | 5,438,306             | 5,497,653             |
| Nonspendable            | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 5,716,008             | 5,438,306             | 5,497,653             |
| Restricted              | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 1,000,000             | -                     | -                     |
| Committed               | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 2,600,000             | 2,600,000             | 2,701,000             |
| Assigned                | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 1,414,860             | 2,613,937             | 646,598               |
| Unassigned              | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 36,634,651            | 29,814,811            | 25,528,774            |
| Total General Fund      | <u>\$31,045,296</u> | <u>\$ 37,729,105</u> | <u>\$ 53,074,680</u>  | <u>\$ 57,690,009</u>  | <u>\$ 51,854,581</u>  | <u>\$ 51,289,539</u>  | <u>\$ 46,365,519</u>  | <u>\$ 41,467,054</u>  | <u>\$ 34,374,025</u>  | <u>\$ 40,555,575</u>  |
| All Other Funds         |                     |                      |                       |                       |                       |                       |                       |                       |                       |                       |
| Reserved                | \$21,994,729        | \$ 49,040,215        | \$ 49,559,718         | \$ 90,143,820         | \$ 86,530,127         | \$ 79,688,486         | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| Unreserved reported in: |                     |                      |                       |                       |                       |                       |                       |                       |                       |                       |
| Special revenue funds   | 44,049,195          | 47,464,569           | 48,534,518            | 50,516,963            | 42,222,678            | 30,378,947            | -                     | -                     | -                     | -                     |
| Capital projects funds  | (2,959,368)         | 27,383,018           | 36,453,807            | 29,300,262            | 27,359,094            | 27,373,151            | -                     | -                     | -                     | -                     |
| Debt service funds      | 917,262             | 949,518              | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Permanent funds         | -                   | 59,359               | -                     | -                     | 66,436                | 169,287               | -                     | -                     | -                     | -                     |
| Nonspendable            | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 32,582,050            | 35,169,140            | 35,479,835            |
| Restricted              | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 106,735,045           | 54,025,315            | 68,502,016            |
| Committed               | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 13,321                | 17,332                | 17,332                |
| Assigned                | -                   | -                    | -                     | -                     | -                     | -                     | -                     | 15,151,482            | 19,708,984            | 11,130,251            |
| Unassigned              | -                   | -                    | -                     | -                     | -                     | -                     | -                     | (33,954,694)          | (692,943)             | (1,074,556)           |
| Total all other funds   | <u>\$64,001,818</u> | <u>\$124,896,679</u> | <u>\$ 134,548,043</u> | <u>\$ 169,961,045</u> | <u>\$ 156,178,335</u> | <u>\$ 137,609,871</u> | <u>\$ 120,527,204</u> | <u>\$ 108,227,828</u> | <u>\$ 114,054,878</u> | <u>\$ 129,436,171</u> |

Notes: The City implemented GASB Statement No. 54 in fiscal year 2011.

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

|   | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          | <u>2008</u>          | <u>2009</u>            | <u>2010</u>            | <u>2011</u>            | <u>2012</u>            | <u>2013</u>           | <u>2014</u>          |
|---|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|----------------------|
| <b>Revenue</b>  |                      |                      |                      |                      |                        |                        |                        |                        |                       |                      |
| Taxes   | \$ 54,463,821        | \$ -                 | \$ -                 | \$ -                 | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                  | \$ -                 |
| Property tax  | -                    | 14,342,099           | 26,854,009           | 30,351,211           | 28,316,208             | 16,836,699             | 22,699,683             | 18,342,475             | 13,088,911            | 14,281,943           |
| Property taxes in lieu                                  | -                    | 12,068,070           | 14,150,000           | 16,728,600           | 16,791,078             | 13,703,197             | 13,055,796             | 13,170,964             | 13,414,446            | 13,871,754           |
| Utility taxes   | -                    | 13,811,740           | 15,463,291           | 15,186,616           | 15,081,286             | 15,358,341             | 15,317,439             | 15,591,386             | 15,683,931            | 15,595,141           |
| Sales taxes   | -                    | 12,275,627           | 15,701,460           | 13,623,654           | 12,163,719             | 10,982,811             | 12,277,450             | 14,003,993             | 14,043,560            | 15,887,129           |
| Other taxes   | -                    | 16,622,460           | 9,637,850            | 9,377,790            | 9,827,939              | 8,994,957              | 8,413,326              | 8,688,866              | 9,150,163             | 15,044,129           |
| Licenses, fees and permits                              | 12,159,692           | 13,041,187           | 13,552,983           | 2,650,530            | 1,930,905              | 1,354,188              | 1,532,514              | 1,523,800              | 1,585,312             | 2,164,753            |
| Charges for services                                    | 25,755,085           | 18,574,210           | 25,046,576           | 24,745,073           | 21,876,389             | 20,182,147             | 21,497,689             | 25,480,671             | 27,718,832            | 20,229,634           |
| Intergovernmental                                       | 27,037,053           | 33,213,048           | 16,703,254           | 31,497,898           | 32,642,154             | 39,049,424             | 27,591,342             | 28,993,998             | 38,624,704            | 28,810,219           |
| Use of property and money                               | 4,438,468            | 7,199,105            | 13,466,716           | 16,380,462           | 9,381,199              | 10,850,116             | 7,027,197              | 7,605,758              | 1,749,494             | 4,034,589            |
| Fines and forfeitures                                   | 1,097,508            | 1,205,173            | 1,159,350            | 1,293,056            | 1,262,712              | 1,176,403              | 833,799                | 653,285                | 650,259               | 619,942              |
| Contributions from successor agency                     | -                    | -                    | -                    | -                    | -                      | -                      | -                      | 900,124                | 2,811,741             | 9,729,528            |
| Miscellaneous/other                                     | <u>4,078,406</u>     | <u>2,652,320</u>     | <u>1,089,949</u>     | <u>885,602</u>       | <u>1,787,772</u>       | <u>1,238,641</u>       | <u>4,251,577</u>       | <u>1,424,186</u>       | <u>3,162,871</u>      | <u>2,269,465</u>     |
| Total revenues  | <u>129,030,033</u>   | <u>145,005,039</u>   | <u>152,825,438</u>   | <u>162,720,492</u>   | <u>151,061,361</u>     | <u>139,726,924</u>     | <u>134,497,812</u>     | <u>136,379,506</u>     | <u>141,684,224</u>    | <u>142,538,226</u>   |
| <b>Expenditures</b>                                     |                      |                      |                      |                      |                        |                        |                        |                        |                       |                      |
| General government                                      | 14,983,932           | 10,723,374           | 12,060,789           | 14,681,999           | 14,825,012             | 12,607,630             | 14,504,781             | 14,442,873             | 12,099,984            | 12,019,962           |
| Public Safety   | 36,806,865           | 43,478,949           | 50,276,192           | 56,361,973           | 57,866,348             | 58,311,716             | 58,152,125             | 54,602,358             | 58,393,974            | 53,492,051           |
| Community development                                   | 8,711,599            | 24,608,096           | 10,116,658           | 18,144,115           | 13,895,163             | 15,003,855             | 9,061,184              | 10,530,127             | 12,374,216            | 7,923,409            |
| Community and cultural                                  | 12,331,683           | 14,889,677           | 19,286,807           | 32,683,219           | 27,331,726             | 21,982,074             | 23,006,061             | 17,348,779             | 18,021,610            | 19,232,689           |
| Public works  | 9,999,497            | 21,262,923           | 31,391,248           | 34,616,617           | 45,328,685             | 13,796,314             | 15,018,071             | 15,588,709             | 15,673,611            | 18,273,006           |
| Capital outlay  | 19,885,754           | -                    | -                    | -                    | -                      | 26,269,751             | 23,879,656             | 27,709,622             | 45,615,380            | 27,212,890           |
| Debt service  |                      |                      |                      |                      |                        |                        |                        |                        |                       |                      |
| Principal retirement                                    | 2,723,847            | 2,896,585            | 3,095,000            | 18,538,387           | 4,154,660              | 3,690,094              | 11,724,021             | 3,965,407              | 3,017,500             | 13,884,500           |
| Interest and fiscal charges                             | 5,381,740            | 7,334,361            | 8,476,750            | 9,213,625            | 10,382,080             | 9,198,762              | 8,345,084              | 6,250,237              | 2,462,481             | 3,284,958            |
| Bond issuance costs                                     | -                    | 664,638              | 326,385              | 2,413,464            | -                      | -                      | -                      | -                      | -                     | 895,960              |
| Total expenditures                                      | <u>110,824,917</u>   | <u>125,858,603</u>   | <u>135,029,829</u>   | <u>186,653,399</u>   | <u>173,783,674</u>     | <u>160,860,196</u>     | <u>163,690,983</u>     | <u>150,438,112</u>     | <u>167,658,756</u>    | <u>156,219,425</u>   |
| Excess of revenues over/<br>(under) expenditures        | <u>18,205,116</u>    | <u>19,146,436</u>    | <u>17,795,609</u>    | <u>(23,932,907)</u>  | <u>(22,722,313)</u>    | <u>(21,133,272)</u>    | <u>(29,193,171)</u>    | <u>(14,058,606)</u>    | <u>(25,974,532)</u>   | <u>(13,681,199)</u>  |
| <b>Other Financing Sources (Uses)</b>                   |                      |                      |                      |                      |                        |                        |                        |                        |                       |                      |
| Issuance of debt  | -                    | 48,205,000           | 5,870,000            | 58,412,429           | -                      | -                      | 7,447,764              | -                      | -                     | -                    |
| Transfers in  | 24,871,852           | 37,201,043           | 33,422,242           | 38,016,856           | 27,284,397             | 29,322,934             | 18,994,235             | 25,245,873             | 16,689,425            | 30,993,218           |
| Transfers out   | (24,165,709)         | (38,480,919)         | (30,526,931)         | (36,688,115)         | (24,926,511)           | (26,106,962)           | (19,012,256)           | (25,818,899)           | (15,473,618)          | (30,111,368)         |
| Sale of capital assets                                  | -                    | -                    | -                    | 442,085              | -                      | -                      | -                      | -                      | -                     | -                    |
| Premium on debt issued                                  | -                    | 570,840              | -                    | -                    | -                      | -                      | -                      | -                      | -                     | 905,166              |
| Discount on debt issued                                 | -                    | (385,640)            | -                    | -                    | -                      | -                      | -                      | -                      | -                     | -                    |
| Payment to refunded bond escrow agents                  | (5,006,586)          | -                    | -                    | -                    | -                      | -                      | -                      | -                      | -                     | -                    |
| Other debts issued                                      | 250,767              | -                    | -                    | -                    | -                      | -                      | -                      | -                      | -                     | 20,000,000           |
| Refunding bonds issued                                  | -                    | -                    | -                    | -                    | -                      | -                      | -                      | -                      | -                     | 10,454,230           |
| Total other financing sources (uses)                    | <u>(4,049,676)</u>   | <u>47,110,324</u>    | <u>8,765,311</u>     | <u>60,183,255</u>    | <u>2,357,886</u>       | <u>3,215,972</u>       | <u>7,429,743</u>       | <u>(573,026)</u>       | <u>1,215,807</u>      | <u>32,241,246</u>    |
| Extraordinary Items                                     | -                    | -                    | -                    | -                    | -                      | -                      | -                      | (2,566,209)            | 23,492,746            | -                    |
| Net change in fund balances                             | <u>\$ 14,155,440</u> | <u>\$ 66,256,760</u> | <u>\$ 26,560,920</u> | <u>\$ 36,250,348</u> | <u>\$ (20,364,427)</u> | <u>\$ (17,917,300)</u> | <u>\$ (21,763,428)</u> | <u>\$ (17,197,841)</u> | <u>\$ (1,265,979)</u> | <u>\$ 18,560,047</u> |
| Debt service as a percentage of noncapital expenditures | 8.91%                | 10.54%               | 10.56%               | 19.40%               | 10.65%                 | 9.58%                  | 14.35%                 | 8.59%                  | 4.39%                 | 13.74%               |

City of Moreno Valley  
 Tax Revenues by Source, General Fund  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

| Fiscal Year         | Property Tax In-Lieu of Vehicle |              |               |               | Transient Occupancy |            |               | Motor Vehicle |               | Business License Gross Receipt |                | Documentary Transfer |                | Total          |
|---------------------|---------------------------------|--------------|---------------|---------------|---------------------|------------|---------------|---------------|---------------|--------------------------------|----------------|----------------------|----------------|----------------|
|                     | Property                        | License Fees | (1)           | Utility Users | Sales & Use         |            | Franchise     | In-Lieu       | (1)           | \$                             | 1,059,009      | \$                   | 1,391,200      |                |
| 2005                | \$ 7,230,082                    | \$ 8,644,834 | (1)           | \$ 12,527,514 | \$ 11,753,794       | \$ 519,193 | \$ 3,791,546  | \$ 3,478,877  | (1)           | \$ 1,059,009                   | \$ 1,391,200   | \$ 50,396,049        |                |                |
| 2006                | 11,930,618                      | 12,068,070   |               | 13,811,740    | 11,317,841          | (2)        | 582,307       | 4,142,646     |               | 1,275,342                      | 1,240,764      |                      | 1,548,205      | 57,917,533     |
| 2007                | 14,022,135                      | 14,150,000   |               | 15,463,291    | 13,116,271          |            | 586,383       | 4,349,870     |               | 943,313                        | 1,315,039      |                      | 972,995        | (3) 64,919,297 |
| 2008                | 14,361,253                      | 16,728,600   |               | 15,186,616    | 11,694,525          |            | 593,009       | 4,478,698     |               | 800,667                        | 1,111,021      |                      | 575,003        | 65,529,392     |
| 2009                | 12,790,196                      | 16,791,078   |               | 15,081,286    | 10,202,384          |            | 497,936       | 4,997,024     |               | 865,718                        | 1,051,701      |                      | 598,084        | 62,875,407     |
| 2010                | 9,917,734                       | 13,703,197   |               | 15,358,341    | 9,298,296           |            | 535,775       | 4,757,920     |               | 547,188                        | 961,303        |                      | 479,208        | 55,558,962     |
| 2011                | 9,430,846                       | 13,055,796   |               | 15,317,439    | 11,283,435          |            | 692,586       | 5,038,600     |               | 887,331                        | 1,053,145      |                      | 424,931        | 57,184,109     |
| 2012                | 9,397,373                       | 13,170,964   |               | 15,591,386    | 14,003,992          |            | 747,100       | 5,176,775     |               | 96,578                         | 1,175,104      |                      | 434,554        | 59,793,826     |
| 2013                | 9,765,007                       | 13,414,446   |               | 15,683,931    | 14,043,560          |            | 831,881       | 5,336,919     |               | 100,727                        | 1,305,924      |                      | 350,413        | 60,832,808     |
| 2014                | 10,668,782                      | 13,871,755   |               | 15,595,141    | 15,887,129          |            | 991,431       | 5,556,474     |               | 84,056                         | 1,581,918      |                      | 447,103        | 64,683,789     |
| <b>Change</b>       |                                 |              |               |               |                     |            |               |               |               |                                |                |                      |                |                |
| <b>2005 to 2014</b> | <b>48.00%</b>                   | (3)          | <b>60.00%</b> | (3)           | <b>24.00%</b>       | (3)        | <b>35.00%</b> | (3)           | <b>91.00%</b> | <b>47.00%</b>                  | <b>-98.00%</b> | <b>49.00%</b>        | <b>-68.00%</b> | <b>28.00%</b>  |

(1) In 2005 the governor instituted the "triple-flip" which changed the funding source for Vehicle License Fees to the ERAF fund and changed the allocation of funds to cities from a per capita computation to the change in the assessed valuation of property. The foundation of the fee is not based on the tax rates established by the City and as such is not considered to be property tax. Because this revenue is under the control of the state it would be considered a "shared" revenue rather than an "own-source" revenue.

(2) The decline in sales tax reported in FY 2006 is related to the implementation of the "Triple-Flip" and a take-back of revenues related to a change in the formula that was used to allocate funds to the cities. The amount of the take-back was \$720,000.

(3) Documentary Transfer Tax has declined since FY 2006. This decline is due to the combination of a decrease in the number of properties that transferred ownership and the decline in the value of properties being transferred.

Source: City of Moreno Valley Financial and Management Services Department

City of Moreno Valley  
 Key Revenues, General Fund  
 Last Ten Fiscal Years

|                                   | <u>2005</u>   | <u>2006</u>   | <u>2007</u>   | <u>2008</u>   | <u>2009</u>  | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>  |
|-----------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Utility Users Tax                 | \$ 12,527,514 | \$ 13,811,740 | \$ 15,463,291 | \$ 15,186,616 | \$15,081,286 | \$15,358,341 | \$15,317,439 | \$15,591,386 | \$15,683,931 | \$15,595,141 |
| Property Tax                      | 7,230,082     | 11,930,618    | 14,022,135    | 14,361,253    | 12,790,196   | 9,917,734    | 9,430,846    | 9,397,373    | 9,765,007    | 10,668,782   |
| Property Tax In-Lieu of VLF       | 8,644,834     | 12,068,070    | 14,150,000    | 16,728,600    | 16,791,078   | 13,703,197   | 13,055,796   | 13,170,964   | 13,414,446   | 13,871,754   |
| Vehicle License In-Lieu Fees      | 3,478,877     | 1,275,342     | 943,313       | 800,667       | 865,718      | 547,188      | 887,331      | 96,578       | 100,727      | 84,056       |
| Sales Tax                         | 8,696,776     | 8,623,390     | 9,472,304     | 7,942,982     | 7,135,246    | 6,952,123    | 8,113,635    | 10,848,031   | 10,523,544   | 11,478,971   |
| Property Tax In-Lieu of Sales Tax | 3,057,018     | 2,694,451     | 3,643,967     | 3,751,543     | 3,067,138    | 2,346,173    | 3,169,800    | 3,155,962    | 3,520,016    | 4,408,158    |
| Development Services              | 10,968,374    | 12,592,569    | 12,473,161    | 8,706,327     | 5,510,492    | 2,631,820    | 2,675,770    | 3,928,365    | 3,586,632    | 5,832,468    |

Notes:

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

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

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

Source: City of Moreno Valley Financial and Management Services Department

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

| Fiscal Year<br>Ended June 30, | City          |                 |   |                  |                        |                 | Redevelopment Agency ** |                 |   |                  |                        |                 |                       |
|-------------------------------|---------------|-----------------|---|------------------|------------------------|-----------------|-------------------------|-----------------|---|------------------|------------------------|-----------------|-----------------------|
|                               | Secured Value | Unsecured Value | Total Assessed and Estimated Full Value | Less: Exemptions | Taxable Assessed Value | Direct Tax Rate | Secured Value           | Unsecured Value | Total Assessed and Estimated Full Value | Less: Exemptions | Taxable Assessed Value | Direct Tax Rate | Total Direct Tax Rate |
| 2005                          | \$ 9,182,553  | \$ 154,604      | \$ 9,337,157                            | \$ (109,759)     | \$ 9,227,398           | 0.00116         | \$ 1,643,835            | \$ 82,341       | \$ 1,726,176                            | \$ (34,169)      | \$ 1,692,007           | 0.00572         | 0.00187               |
| 2006                          | 11,327,235    | 165,133         | 11,492,368                              | (118,051)        | 11,374,317             | 0.00131         | 2,028,330               | 85,608          | 2,113,938                               | (35,633)         | 2,078,305              | 0.00643         | 0.00210               |
| 2007                          | 13,419,168    | 198,776         | 13,617,944                              | (147,891)        | 13,470,053             | 0.00140         | 2,546,327               | 109,685         | 2,656,012                               | (47,345)         | 2,608,667              | 0.00672         | 0.00226               |
| 2008                          | 13,491,161    | 232,774         | 13,723,935                              | (194,693)        | 13,529,242             | 0.00143         | 2,788,876               | 137,206         | 2,926,082                               | (75,251)         | 2,850,831              | 0.00838         | 0.00264               |
| 2009                          | 13,132,444    | 243,521         | 13,375,965                              | (154,973)        | 13,220,992             | 0.00131         | 2,229,290               | 117,596         | 2,346,886                               | (72,232)         | 2,274,654              | 0.01045         | 0.00265               |
| 2010                          | 10,625,910    | 236,904         | 10,862,814                              | (154,289)        | 10,708,525             | 0.00160         | 2,391,494               | 154,639         | 2,546,133                               | (81,595)         | 2,464,538              | 0.00675         | 0.00256               |
| 2011                          | 10,516,338    | 238,786         | 10,755,124                              | (227,178)        | 10,527,946             | 0.00164         | 2,375,549               | 157,430         | 2,532,979                               | (81,830)         | 2,451,149              | 0.00575         | 0.00242               |
| 2012                          | 10,561,585    | 271,336         | 10,832,921                              | (236,235)        | 10,596,686             | 0.00258         | -                       | -               | -                                       | -                | -                      | -               | 0.00258               |
| 2013                          | 10,646,415    | 342,094         | 10,988,509                              | (249,331)        | 10,739,178             | 0.00183         | -                       | -               | -                                       | -                | -                      | -               | 0.00183               |
| 2014                          | 11,042,637    | 352,337         | 11,394,974                              | (264,161)        | 11,130,813             | 0.00185         | -                       | -               | -                                       | -                | -                      | -               | 0.00185               |

Source: Riverside County Auditor/Controller

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

\*\*As of January 31, 2012 the Redevelopment Agency was dissolved due to the California Supreme Court passing two bills, AB X1 26 and AB X1 27.

Source: City of Moreno Valley Financial and Management Services Department  
 County of Riverside Auditor-Controller

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

| Fiscal Year                               | 2004-05          | 2005-06          | 2006-07          | 2007-08          | 2008-09          | 2009-10          | 2010-11          | 2011-12          | 2012-13          | 2013-14          |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| City Direct Rate:                         | \$0.00116        | \$0.00131        | \$0.00140        | \$0.00143        | \$0.00131        | \$0.00160        | \$0.00164        | \$0.00258        | \$0.00177        | \$0.00185        |
| Redevelopment Agency Direct Rate:         | 0.00572          | 0.00643          | 0.00672          | 0.00838          | 0.01045          | 0.00675          | 0.00575          | 0.00000          | 0.00000          | 0.00000          |
| Total Direct Tax Rate:                    | 0.00187          | 0.00210          | 0.00226          | 0.00264          | 0.00265          | 0.00256          | 0.00242          | 0.00258          | 0.00177          | 0.00185          |
| Eastern Municipal Water Imp Dist          | 0.02900          | 0.02300          | 0.01500          | 0.01500          | 0.00700          | 0.03000          | 0.03000          | 0.03000          | 0.03000          | 0.03000          |
| Metro Water Dist Original Area            | 0.00580          | 0.00520          | 0.00470          | 0.00450          | 0.00430          | 0.00430          | 0.00370          | 0.00370          | 0.00350          | 0.00350          |
| Moreno Valley Unified School District     | 0.03395          | 0.03149          | 0.02271          | 0.03066          | 0.03081          | 0.02660          | 0.03357          | 0.04096          | 0.04060          | 0.04354          |
| Nuview School District                    | 0.00000          | 0.00000          | 0.00000          | 0.02998          | 0.02996          | 0.02790          | 0.02987          | 0.02988          | 0.04043          | 0.07389          |
| Perris Union High School District         | 0.01192          | 0.02350          | 0.03222          | 0.02110          | 0.02031          | 0.02686          | 0.03126          | 0.03429          | 0.03429          | 0.06970          |
| Riverside City Community College District | 0.01800          | 0.01800          | 0.01800          | 0.01259          | 0.01254          | 0.01242          | 0.01499          | 0.01700          | 0.01702          | 0.01768          |
| San Jacinto Unified School District       | 0.02812          | 0.02451          | 0.01407          | 0.07202          | 0.09600          | 0.09052          | 0.11744          | 0.12875          | 0.12800          | 0.12746          |
| Val Verde Unified District                | 0.00000          | 0.00000          | 0.00000          | 0.00000          | 0.03189          | 0.04089          | 0.03347          | 0.03160          | 0.08383          | 0.07235          |
| <sup>18</sup> Total Tax Rate              | <u>\$0.13554</u> | <u>\$0.13554</u> | <u>\$0.11708</u> | <u>\$0.19830</u> | <u>\$0.24722</u> | <u>\$0.22708</u> | <u>\$0.30411</u> | <u>\$0.32134</u> | <u>\$0.38121</u> | <u>\$0.44182</u> |

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

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

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

| Taxpayer                           | Fiscal Year 2013/2014  |      |  | Fiscal Year 2004/2005  |      |  |
|------------------------------------|------------------------|------|--|------------------------|------|--|
|                                    | Taxable Assessed Value | Rank | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percent of Total City Taxable Assessed Value |
| HF Logistics SKX T1 (Sketchers)    | \$ 202,007,054         | 1    | 1.81%  | \$ -                   | -    | 0.00%  |
| Ross Dress for Less, Inc.          | 134,148,489            | 2    | 1.21%  | -                      | -    | 0.00%  |
| Walgreen Company                   | 117,221,041            | 3    | 1.05%  | 63,029,274             | 1    | 0.84%  |
| Stonegate 552                      | 82,614,238             | 4    | 0.74%  | -                      | -    | 0.00%  |
| IIT Inland Empire Logistics Center | 76,952,001             | 5    | 0.69%  | -                      | -    | 0.00%  |
| Kaiser Foundation Hospitals        | 65,975,333             | 6    | 0.59%  | -                      | -    | 0.00%  |
| First Industrial LP                | 61,643,457             | 7    | 0.55%  | -                      | -    | 0.00%  |
| FR Cal Moreno Valley               | 49,509,039             | 8    | 0.44%  | -                      | -    | 0.00%  |
| CLPF 16850 Heacock Street          | 47,765,266             | 9    | 0.43%  | -                      | -    | 0.00%  |
| 2250 Town Circle Holdings          | 47,165,814             | 10   | 0.42%  | -                      | -    | 0.00%  |
| Homart Newco Two, Inc.             |                        |      | 0.00%  | 40,384,967             | 2    | 0.54%  |
| Divi Divi Tree Limited Partnership | -                      |      | 0.00%  | 28,290,136             | 3    | 0.38%  |
| TSC                                | -                      |      | 0.00%  | 27,168,541             | 4    | 0.36%  |
| Moreno Valley Plaza Unlimited      | -                      |      | 0.00%  | 25,859,701             | 5    | 0.34%  |
| Desert Pointe Properties           | -                      |      | 0.00%  | 19,351,881             | 6    | 0.26%  |
| Lowes HIW, Inc.                    | -                      |      | 0.00%  | 15,832,566             | 7    | 0.21%  |
| May Company Department Stores      | -                      |      | 0.00%  | 15,086,961             | 8    | 0.20%  |
| El Corte Ingles                    | -                      |      | 0.00%  | 14,566,065             | 9    | 0.19%  |
| Cardinal CG Company                | -                      |      | 0.00%  | 13,671,409             | 10   | 0.18%  |
|                                    | <u>\$ 885,001,732</u>  |      | <u>7.93%</u>                                 | <u>\$ 263,241,501</u>  |      | <u>3.50%</u>                                 |

Source: Hdl Coren & Cone

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

| Fiscal Year<br>Ended June 30, | Taxes Levied<br>for the Fiscal<br>Year | Collected within the<br>Fiscal Year of Levy |                        | Collections in<br>Subsequent<br>years | Total Collections to Date |                    |
|-------------------------------|--|---|------------------------|---------------------------------------|---------------------------|--------------------|
|                               |  | Amount                                      | Percent of<br>Levy (1) |                                       | Amount                    | Percent of<br>Levy |
| 2005                          | \$ 26,783,221                          | \$26,775,299                                | 99.97%                 | \$ 7,922                              | \$26,783,221              | 100.00%            |
| 2006                          | 32,385,248                             | 32,347,436                                  | 99.88%                 | 37,812                                | 32,385,248                | 100.00%            |
| 2007                          | 39,206,275                             | 39,141,295                                  | 99.83%                 | 64,980                                | 39,206,275                | 100.00%            |
| 2008                          | 43,561,908                             | 43,457,010                                  | 99.76%                 | 104,898                               | 43,561,908                | 100.00%            |
| 2009                          | 41,285,111                             | 41,165,168                                  | 99.71%                 | 119,943                               | 41,285,111                | 100.00%            |
| 2010                          | 35,573,656                             | 35,492,693                                  | 99.77%                 | 80,963                                | 35,573,656                | 100.00%            |
| 2011                          | 33,713,334                             | 33,658,226                                  | 99.84%                 | 55,108                                | 33,713,334                | 100.00%            |
| 2012                          | 33,226,437                             | 33,172,713                                  | 99.84%                 | 53,724                                | 33,226,437                | 100.00%            |
| 2013                          | 25,630,602                             | 25,580,901                                  | 99.81% (2)             | 49,701                                | 25,630,602                | 100.00%            |
| 2014                          | 26,906,254                             | 26,862,040                                  | 99.84%                 | 44,214                                | 26,906,254                | 100.00%            |

Notes: (1) The City began participating in the "Teeter Plan" in FY 1993-94. The Teeter Plan adopted by the County of Riverside guarantees each participating city payment equal to 100% of the total tax value. Any delinquencies and the associated penalties and interest are collected and maintained by the County.

Supplemental taxes for new construction put into service after the tax rolls are completed are collected in a county pool and then allocated to all cities based on a formula. Because these tax amounts are not included on the original tax roll these amounts are reported as collections but are not included in the amount levied.

(2) Beginning in 2013 the Redevelopment Tax Increment was no longer included in the calculation for the levy and the collections.

Source: County of Riverside Auditor-Controller

City of Moreno Valley Financial and Management Services Department

City of Moreno Valley  
Direct and Overlapping Debt

Fiscal Year 2013/14 Assessed Valuation \$ 11,179,377,465

OVERLAPPING TAX AND ASSESSMENT DEBT

|   | Total Debt<br><u>6/30/2014</u> | %<br><u>Applicable(1)</u> | City's Share of Debt<br><u>6/30/2014</u> |
|---|--------------------------------|---------------------------|--|
| Metropolitan Water District   | \$ 132,275,000                 | 0.511%                    | \$ 675,925                               |
| Eastern Municipal Water District I.D. No U-22   | 3,126,000                      | 100                       | 3,126,000                                |
| Riverside Community College District  | 230,214,563                    | 14.375                    | 33,093,343                               |
| Moreno Valley Unified School District   | 36,708,521                     | 84.134                    | 30,884,347                               |
| San Jacinto Unified School District   | 43,516,722                     | 0.461                     | 200,612                                  |
| Val Verde Unified School District   | 100,986,948                    | 37.644                    | 38,015,527                               |
| Moreno Valley Unified School District Community Facilities District No. 88-1          | 2,580,000                      | 100                       | 2,580,000                                |
| Moreno Valley Unified School District Community Facilities District No. 2002-1        | 7,790,000                      | 100                       | 7,790,000                                |
| Moreno Valley Unified School District Community Facilities District No. 2003-1&2      | 11,280,000                     | 100                       | 11,280,000                               |
| Moreno Valley Unified School District Community Facilities District No. 2004-1        | 3,000,000                      | 100                       | 3,000,000                                |
| Moreno Valley Unified School District Community Facilities District No. 2004-2        | 5,300,000                      | 100                       | 5,300,000                                |
| Moreno Valley Unified School District Community Facilities District No. 2004-3        | 3,860,000                      | 100                       | 3,860,000                                |
| Moreno Valley Unified School District Community Facilities District No. 2004-5        | 4,825,000                      | 100                       | 4,825,000                                |
| Moreno Valley Unified School District Community Facilities District No. 2004-6        | 26,715,000                     | 100                       | 26,715,000                               |
| Moreno Valley Unified School District Community Facilities District No. 2005-2, 3 & 5 | 23,775,000                     | 100                       | 23,775,000                               |
| Val Verde Unified School District Community Facilities District No. 98-1              | 19,600,000                     | 100                       | 19,600,000                               |
| Val Verde Unified School District Community Facilities District No. 2003-2            | 2,490,000                      | 100                       | 2,490,000                                |
| Eastern Municipal Water District Community Facilities District                        | 12,975,000                     | 100                       | 12,975,000                               |
| City of Moreno Valley Community Facilities District No. 5                             | 5,725,000                      | 100                       | 5,725,000                                |
| City of Moreno Valley Community Facilities District No. 87-1, I.A. No. 1              | 2,835,000                      | 100                       | 2,835,000                                |
| <b>TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT</b>                                |                                |                           | <b>\$ 238,745,753</b>                    |

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

|   |             |         |                       |
|---|-------------|---------|-----------------------|
| Riverside County General Fund Obligations                           | 692,656,315 | 5.334%  | \$ 36,946,288         |
| Riverside County Pension Obligations                                | 334,515,000 | 5.334%  | 17,843,030            |
| Riverside County Board of Education Certificates of Participation   | 2,700,000   | 5.334%  | 144,018               |
| Mt. San Jacinto Community College District General Fund Obligations | 11,390,000  | 0.015%  | 1,709                 |
| Moreno Valley Unified School District Certificates of Participation | 13,280,000  | 84.134% | 11,172,995            |
| San Jacinto Unified School District Certificates of Participation   | 41,080,000  | 0.461%  | 189,379               |
| Val Verde Unified School District Certificates of Participation     | 79,365,000  | 37.644% | <b>29,876,161</b>     |
| <b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>         |             |         | <b>96,173,580</b>     |
| Less: Riverside County self-supporting obligations                  |             |         | <b>495,174</b>        |
| <b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>           |             |         | <b>95,678,406</b>     |
| City Direct Debt (City of Moreno Valley General Fund Obligations)   |             |         | <b>69,211,500</b>     |
| <b>TOTAL DIRECT &amp; OVERLAPPING DEBT</b>                          |             |         | <b>\$ 164,889,906</b> |

OVERLAPPING TAX INCREMENT DEBT:

|                                     |            |            |                                   |
|-------------------------------------|------------|------------|-----------------------------------|
|                                     | 81,610,000 | 33.477-100 | \$ 59,402,468                     |
| <b>TOTAL DIRECT DEBT</b>            |            |            | <b>69,211,500</b>                 |
| <b>TOTAL GROSS OVERLAPPING DEBT</b> |            |            | <b>394,321,802</b>                |
| <b>TOTAL NET OVERLAPPING DEBT</b>   |            |            | <b>393,826,628</b>                |
| <b>GROSS COMBINED TOTAL DEBT</b>    |            |            | <b>463,533,302</b> <sup>(2)</sup> |
| <b>NET COMBINED TOTAL DEBT</b>      |            |            | <b>463,038,127</b>                |

Notes:

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

Ratios to FY 2013-14 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt 2.14%

Ratios to Adjusted Assessed Valuation:

|                                  |       |
|----------------------------------|-------|
| Total Direct Debt (\$69,211,500) | 0.62% |
| Gross Combined Total Debt        | 4.15% |
| Net Combined Total Debt          | 4.14% |

Ratios to Redevelopment Incremental Valuation (\$2,139,503,829):

Total Overlapping Tax Increment Debt 2.78%

KD: (\$475)

Source: California Municipal Statistics

City of Moreno Valley  
 Legal Debt Margin  
 Last Ten Fiscal Years  
 (dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2014

|                                    |               |
|------------------------------------|---------------|
| Assessed Value                     | \$ 12,199,659 |
| Debt Limit (15% of assessed value) | 1,829,949     |
| Debt applicable to limit:          | -             |

|                                    |             |
|------------------------------------|-------------|
| Total net debt applicable to limit | <u>\$</u> - |
|------------------------------------|-------------|

|  | Fiscal Year <sup>(1)</sup> |              |               |               |               |               |               |               |               |               |
|--|----------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | <u>2005</u>                | <u>2006</u>  | <u>2007</u>   | <u>2008</u>   | <u>2009</u>   | <u>2010</u>   | <u>2011</u>   | <u>2012</u>   | <u>2013</u>   | <u>2014</u>   |
| Assessed Valuation (in thousands)  | \$ 7,227,360               | \$ 9,075,495 | \$ 11,220,188 | \$ 13,374,229 | \$ 13,375,965 | \$ 10,862,814 | \$ 10,366,869 | \$ 10,462,566 | \$ 10,590,832 | \$ 12,199,659 |
| Conversion percentage  | 25%                        | 25%          | 25%           | 25%           | 25%           | 25%           | 25%           | 25%           | 25%           | 25%           |
| Adjusted assessed valuation (in thousands)                               | 1,806,840                  | 2,268,874    | 2,805,047     | 3,343,557     | 3,343,991     | 2,715,704     | 2,591,717     | 2,615,642     | 2,647,708     | 3,049,915     |
| Debt limit percentage  | 15%                        | 15%          | 15%           | 15%           | 15%           | 15%           | 15%           | 15%           | 15%           | 15%           |
| Debt Limit (in thousands)  | 271,026                    | 340,331      | 420,757       | 501,534       | 501,599       | 407,356       | 388,758       | 392,346       | 397,156       | 457,487       |
| Total net debt applicable to limit                                       | -                          | -            | -             | -             | -             | -             | -             | -             | -             | -             |
| Legal debt margin (in thousands)   | 271,026                    | 340,331      | 420,757       | 501,534       | 501,599       | 407,356       | 388,758       | 392,346       | 397,156       | 457,487       |
| Total net debt applicable to the limit as a percentage of the debt limit | \$ -                       | \$ -         | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |

1) GASB 44 allowed for the implementation of historical reporting on a prospective basis. The City has elected to report historical data in this manner.

Source: City of Moreno Valley Financial and Management Services Department

County of Riverside Auditor-Controller

City of Moreno Valley  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years

| Fiscal Year<br>Ended June 30 <sup>(2)</sup> | Governmental Activities               |  |  |                                     |                                    |   | Business-type<br>Activities    |            | Total Primary<br>Government<br>\$ 42,005,558 | Percentage of<br>Personal Income <sup>1</sup><br>1.40% | Debt per<br>Capita<br>254 |     |
|---|---------------------------------------|--|--|-------------------------------------|------------------------------------|---|--------------------------------|------------|--|--|---------------------------|-----|
|   | Special Tax<br>Bonds<br>\$ 25,130,000 | Certificates of<br>Participation<br>\$ 7,625,000 | Lease Revenue<br>Bonds<br>\$ 4,590,000 | RDA Tax<br>Allocation Bonds<br>\$ - | Notes and<br>Other<br>\$ 4,660,558 | Governmental<br>Activities<br>\$ 42,005,558 | Lease Revenue<br>Bonds<br>\$ - |            |  |  |                           |     |
| 2005  |                                       |  |  |                                     |                                    |   |                                |            |  |  |                           |     |
| 2006  | 23,345,000                            | 7,115,000  | 47,530,000                             | -                                   | 4,866,378                          | 82,856,378                                  | 4,647,000                      |            | 87,503,378                                   | 2.75%  | 501                       |     |
| 2007  | 21,415,000                            | 6,590,000  | 46,890,000                             | -                                   | 4,696,689                          | 79,591,689                                  | 30,870,000                     |            | 110,461,689                                  | 3.67%  | 612                       |     |
| 2008  | 18,925,000                            | 6,040,000  | 46,160,000                             | 43,495,000                          | 4,318,513                          | 118,938,513                                 | 30,870,000                     |            | 149,808,513                                  | 4.61%  | 815                       |     |
| 2009  | 17,265,000                            | 5,470,001  | 45,205,000                             | 42,725,000                          | 6,849,487                          | 117,514,488                                 | 30,775,000                     |            | 148,289,488                                  | 4.48%  | 796                       |     |
| 2010  | 15,525,000                            | 4,875,000  | 44,205,000                             | 42,605,000                          | 6,667,850                          | 113,877,850                                 | 30,285,000                     |            | 144,162,850                                  | 4.09%  | 765                       |     |
| 2011  | 13,655,000                            | - <sup>(3)</sup>                                 | 39,660,000 <sup>(3)</sup>              | 42,475,000                          | 12,301,668 <sup>(3)</sup>          | 108,091,668                                 | 29,780,000                     |            | 137,871,668                                  | 3.80%  | 706                       |     |
| 2012  | 11,870,000                            | -  | 38,775,000                             | - <sup>(4)</sup>                    | 12,405,733                         | 63,050,733                                  | 29,245,000                     |            | 92,295,733                                   | 2.70%  | 470                       |     |
| 2013  | 10,685,000                            | -  | 37,855,000                             | - <sup>(4)</sup>                    | 12,340,304                         | 60,880,304                                  | 28,685,000                     |            | 89,565,304                                   | 2.62%  | 452                       |     |
| 192   | 2014                                  | 9,660,000  | 19,870,447                             | 37,330,333                          | - <sup>(4)</sup>                   | 11,874,411                                  | 78,735,191                     | 27,836,607 |  | 106,571,798  | 2.95%                     | 535 |

Notes:

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

2) GASB 44 allowed for the implementation of historical reporting on a prospective basis. The City has elected to report historical data in this manner.

3) In Fiscal Year 2011 the City defeased the 1997 Lease Revenue Bonds and the 1997 City Hall COPs with private placement financing.

4) No Longer considered general bonded debt as the result of the dissolution of the Redevelopment Agency.

Source: City of Moreno Valley Financial and Management Services Department

City of Moreno Valley Economic Development Department

Riverside County Economic Development Agency

State of California Department of Finance

City of Moreno Valley  
 Ratio of Bonded Debt  
 Last Nine Fiscal Years

| Fiscal Year<br>Ended<br>June 30,<br>2006 <sup>(2)</sup> | Special Tax<br>Bonds<br>\$ 23,345,000 | Certificates of<br>Participation<br>\$ 7,115,000 | Lease Revenue<br>Bonds<br>\$ 47,530,000 | Total<br>Governmental<br>Activities<br>\$ 77,990,000 | Percent of<br>Assessed Value <sup>(1)</sup><br>0.86% | Per Capita<br>447 |
|---|---------------------------------------|--|---|--|--|-------------------|
| 2007  | 21,415,000                            | 6,590,000  | 46,890,000                              | 74,895,000   | 0.67%  | 415               |
| 2008  | 18,925,000                            | 6,040,000  | 46,160,000                              | 71,125,000   | 0.53%  | 387               |
| 2009  | 17,265,000                            | 5,470,001  | 45,205,000                              | 67,940,001   | 0.51%  | 365               |
| 2010  | 15,525,000                            | 4,875,000  | 44,205,000                              | 64,605,000   | 0.59%  | 343               |
| 2011  | 13,655,000                            | - <sup>(3)</sup>                                 | 39,660,000 <sup>(3)</sup>               | 53,315,000   | 0.50%  | 273               |
| 2012  | 11,870,000                            | -  | 38,775,000                              | 50,645,000   | 0.47%  | 258               |
| 2013  | 10,685,000                            | -  | 37,855,000                              | 48,540,000   | 0.45%  | 245               |
| 2014  | 9,660,000                             | 19,870,447                                       | 37,330,333                              | 66,860,780   | 0.60%  | 336               |

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

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

2) GASB 44 allowed for the implementation of historical reporting on a prospective basis. The City has elected to report historical data in this manner.

3) In Fiscal Year 2011 the City defeased the 1997 Lease Revenue Bonds and the 1997 City Hall COPs with private placement financing.

City of Moreno Valley  
Pledged Revenue Coverage  
Last Ten Years

| Fiscal Year<br>Ended<br>June 30, | Community Facilities District No. 3, AutoMall Refinancing |            |                        |            |              |         | Community Facilities District No. 5 of the City of Moreno Valley (Stoneridge) |          |              | Towngate Community Facilities District No. 87-1,<br>2007 Special Tax Refunding Bonds |                        |          | Towngate Community Facilities District No. 87-1, Improvement<br>No. 1 Special Tax Refunding Bonds |         |                  |          |                        |        |              |          |          |
|----------------------------------|---|------------|------------------------|------------|--------------|---------|---|----------|--------------|--|------------------------|----------|---|---------|------------------|----------|------------------------|--------|--------------|----------|----------|
|                                  | Special Tax Levy  |            | Property Tax Increment |            | Debt Service |         | Special Tax Levy  |          | Debt Service |  | Property Tax Increment |          | Debt Service  |         | Special Tax Levy |          | Property Tax Increment |        | Debt Service |          |          |
|                                  |   |            | Principal              | Interest   | Coverage     |         | Principal   | Interest | Coverage     |  | Principal              | Interest | Coverage  |         | Principal        | Interest | Coverage               |        | Principal    | Interest | Coverage |
| 2005                             | \$ 1,121,094  | \$ 116,871 | \$ 575,000             | \$ 469,150 | 1.19         | \$ -    | \$ -  | \$ -     | \$ -         | \$ -   | \$ -                   | \$ -     | \$ -  | \$ -    | \$ -             | \$ -     | \$ -                   | \$ -   | \$ -         | \$ -     | \$ -     |
| 2006                             | 1,189,465   | 73,700     | 640,000                | 426,625    | 1.18         | -       | -   | -        | -            | -  | -                      | -        | -   | -       | -                | -        | -                      | -      | -            | -        | -        |
| 2007                             | 1,179,479   | 108,986    | 710,000                | 379,375    | 1.18         | -       | -   | -        | -            | -  | -                      | -        | -   | -       | -                | -        | -                      | -      | -            | -        | -        |
| 2008                             | 1,088,427   | 190,425    | 785,000                | 327,050    | 1.15         | 198,306 | -   | 217,261  | 0.91         | 2,072,568  | -                      | 226,176  | 9.16  | 429,990 | -                | -        | -                      | 60,994 | 0.00         | -        | -        |
| 2009                             | 1,212,713   | 103,026    | 865,000                | 269,300    | 1.16         | 344,701 | -   | 288,613  | 1.19         | 1,164,131  | 575,000                | 435,881  | 1.15  | 108,706 | 287,228          | 220,000  | 175,859                | 1.00   | -            | -        | -        |
| 2010                             | 1,173,443   | 185,125    | 950,000                | 205,775    | 1.18         | 362,124 | 15,000  | 288,313  | 1.19         | 373,011  | 600,000                | 409,381  | 0.37  | 78,519  | 303,573          | 190,000  | 168,029                | 1.07   | -            | -        | -        |
| 2011                             | 78,021  | 96,489     | 1,045,000              | 135,950    | 0.15         | 376,005 | 20,000  | 287,613  | 1.22         | 1,168,536  | 630,000                | 382,569  | 1.15  | 112,162 | 277,359          | 195,000  | 160,375                | 1.10   | -            | -        | -        |
| 2012                             | 74,137  | 29,292     | 925,000                | 64,688     | 0.10         | 384,249 | 30,000  | 286,613  | 1.21         | 1,175,145  | 655,000                | 359,294  | 1.16  | 115,946 | 274,445          | 205,000  | 152,173                | 1.09   | -            | -        | -        |
| 2013                             | 75,878  | 31,192     | 295,000                | 18,938     | 0.34         | 388,022 | 35,000  | 285,295  | 1.21         | 1,170,595  | 680,000                | 335,931  | 1.15  | 110,672 | 275,008          | 210,000  | 143,719                | 1.09   | -            | -        | -        |
| 2014                             | -   | -          | 105,000                | 3,938      | 0.00         | 393,684 | 45,000  | 283,633  | 1.20         | 1,174,345  | 700,000                | 310,906  | 1.16  | 117,164 | 275,007          | 220,000  | 135,009                | 1.10   | -            | -        | -        |

Community Redevelopment Agency 2007 Tax Allocation Bonds

| Fiscal Year<br>Ended<br>June 30, | Debt Service           |           |            |          |
|----------------------------------|------------------------|-----------|------------|----------|
|                                  | Property Tax Increment | Principal | Interest   | Coverage |
| 2008                             | \$ 23,890,555          | \$ -      | \$ 359,683 | 66.42    |
| 2009                             | 23,775,956             | 770,000   | 2,073,084  | 8.36     |
| 2010                             | -                      | -         | -          | -        |
| 2011                             | -                      | -         | -          | -        |
| 2012                             | -                      | -         | -          | -        |
| 2013                             | -                      | -         | -          | -        |
| 2014                             | -                      | -         | -          | -        |

1) The interest payment related to the CFD 5 - Stoneridge was paid from the capitalized interest account but in future years this will be paid from the special tax.

Data Source: City of Moreno Valley Financial and Management Services Department

City of Moreno Valley Community Redevelopment Agency

City of Moreno Valley Special Districts

City of Moreno Valley  
 Demographic and Economic Statistics  
 Last seven years

| Calendar Year (1) | Population | Personal Income<br>(in thousands) | Per Capita Personal Income | Unemployment Rate |
|-------------------|------------|-----------------------------------|----------------------------|-------------------|
| 2008              | 183,860    | \$ 3,423,011                      | \$ 17,997                  | 9.9%              |
| 2009              | 186,301    | 3,702,458                         | 18,898                     | 15.7%             |
| 2010              | 188,537    | 3,836,808                         | 19,230                     | 17.6%             |
| 2011              | 195,216    | 3,463,419                         | 17,519                     | 16.1%             |
| 2012              | 196,495    | 3,491,186                         | 17,425                     | 13.9%             |
| 2013              | 198,129    | 3,615,062                         | 18,246                     | 11.8%             |
| 2014              | 199,258    | 3,612,548                         | 18,130                     | 11.0%             |

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(1) GASB 44 allowed for the implementation of historical reporting on a prospective basis. The City has elected to report historical data in this manner.

Data Source: California Department of Finance

[www.dof.ca.gov/research/demographic](http://www.dof.ca.gov/research/demographic)

City of Moreno Valley  
 Principal Employers  
 Current Year and Eight Years Ago

| Employer                                    | Sector                 | Business Type                    | 2014                |                             | 2006                |                             |
|---|------------------------|----------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
|   |                        |                                  | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| March Air Reserve Base                      | Military/Public Sector | Military Reserve Base            | 8,600               | 26.12%                      | 9,167               | 26.71%                      |
| Moreno Valley Unified School District       | Public Sector          | Public Schools                   | 3,442               | 10.45%                      | 3,447               | 10.04%                      |
| Riverside County Regional Medical Center    | Medical Facilities     | County Hospital                  | 2,987               | 9.07%                       | 2,000               | 5.83%                       |
| Ross Dress For Less/DD's Discounts          | Distribution           | Retail Distribution              | 1,921               | 5.83%                       | 0                   | 0.00%                       |
| Moreno Valley Mall (excludes major tenants) | Retail                 | Retail Mall                      | 1,390               | 4.22%                       | 1,000               | 2.91%                       |
| Kaiser Permanente Community Hospital/Office | Medical Facilities     | Hospital/Medical Services        | 944                 | 2.87%                       | 0                   | 0.00%                       |
| iHerb, Inc                                  | Distribution           | Natural Supplements Distribution | 750                 | 2.28%                       | 0                   | 0.00%                       |
| City of Moreno Valley/Police/Fire Depts     | Public Sector          | Municipal Government             | 684                 | 2.08%                       | 833                 | 2.43%                       |
| Val Verde Unified School District (MV only) | Public Sector          | Public Schools                   | 674                 | 2.05%                       | 695                 | 2.02%                       |
| Walgreens Co.                               | Distribution           | Retail Distribution              | 600                 | 1.82%                       | 600                 | 1.75%                       |

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

Source: City of Moreno Valley Economic Development Department

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

| Function                     | <u>2006</u> | <u>2007</u>        | <u>2008</u>  | <u>2009</u>  | <u>2010</u>  | <u>2011</u>        | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|------------------------------|-------------|--------------------|--------------|--------------|--------------|--------------------|-------------|-------------|-------------|
| General Government           | 143         | 153                | 150          | 142          | 150          | 147                | 125         | 96          | 93          |
| Public Works                 | 126         | 134                | 141          | 151          | 146          | 143                | 134         | 122         | 121         |
| Community Development        | 71          | 74                 | 74           | 72           | 68           | 59                 | 66          | 59          | 49          |
| Parks and Community Services | 123         | 184 <sup>(2)</sup> | 240          | 238          | 453          | 101 <sup>(3)</sup> | 118         | 112         | 113         |
| Animal Services              | 24          | 26                 | 27           | 29           | 27           | 21                 | 19          | 21          | 22          |
| Redevelopment Agency         | 17          | 17                 | 18           | 16           | 14           | 12                 | 0           | 0           | 0           |
| Public Safety <sup>(1)</sup> | 329         | 356                | 383          | 393          | 415          | 407                | 407         | 318         | 286         |
|                              | <u>833</u>  | <u>944</u>         | <u>1,033</u> | <u>1,041</u> | <u>1,273</u> | <u>890</u>         | <u>869</u>  | <u>728</u>  | <u>684</u>  |

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

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

(2) In 2007 the Parks and Community Services Department received a grant from the State of California related to the After School Education and Safety Grant. This grant resulted in an increase in staffing to achieve the grant growth objectives.

(3) In 2011 the Parks and Community Services Department received a grant from the State of California related to the After School Education and Safety Grant, however staffing for this services was contracted to an outside agency. This resulted in a large decrease in staffing.

Note: GASB 44 allowed for the implementation of historical reporting on a prospective basis. The City has elected to report historical data in this manner.

Source: City of Moreno Valley Financial and Management Services Department

City of Moreno Valley  
 Capital Asset Statistics  
 Last Seven Fiscal Years

|  | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     |
|--|----------|----------|----------|----------|----------|----------|----------|
| Lane miles of streets                    | 1,076    | 1,076    | 1,076    | 1,076    | 1,076    | 1,095    | 1,080    |
| Number of street lights                  | 11,027   | 11,037   | 11,046   | 11,260   | 11,358   | 11,381   | 11,449   |
| Number of traffic signals                | 162      | 167      | 170      | 173      | 175      | 180      | 182      |
| Fire protection:                         |          |          |          |          |          |          |          |
| Number of stations                       | 6        | 6        | 6        | 6        | 6        | 7        | 7        |
| Police protection:                       |          |          |          |          |          |          |          |
| Number of policing stations              | 1        | 1        | 1        | 1        | 1        | 1        | 1        |
| Number of policing substations           | 4        | 4        | 4        | 4        | 6        | 6        | 6        |
| Recreation and culture:                  |          |          |          |          |          |          |          |
| Parks                                    | 38       | 39       | 37       | 37       | 37       | 37       | 37       |
| Maintained acreage of parks              | 529.55   | 531.48   | 531.48   | 531.66   | 519.91   | 519.91   | 520      |
| Parks under construction                 | 7        | 6        | 6        | 1        | 1        | 1        | 1        |
| Acreage of parks under construction      | 27.07    | 25.14    | 25.14    | 12.25    | 12.75    | 12.75    | 12.75    |
| Multi-use athletic fields                | 21       | 21       | 21       | 21       | 21       | 21       | 21       |
| Conference/Recreation centers            | 1        | 1        | 1        | 1        | 1        | 1        | 1        |
| Square footage of recreation centers     | 42,413   | 42,413   | 42,413   | 42,413   | 42,413   | 42,413   | 42,413   |
| Senior Centers                           | 1        | 1        | 1        | 1        | 1        | 1        | 1        |
| Square footage of senior centers         | 14,700   | 14,700   | 14,700   | 14,700   | 14,700   | 14,700   | 14,700   |
| Equestrian centers                       | 1        | 1        | 1        | 1        | 1        | 1        | 1        |
| Maintained acreage of equestrian centers | 45       | 45       | 45       | 45       | 45       | 45       | 45       |
| Multi-use equestrian trails maintained   | 10 Miles |
| Community centers                        | 4        | 4        | 4        | 4        | 4        | 4        | 4        |
| Square footage of community centers      | 38,758   | 38,758   | 38,758   | 38,758   | 38,758   | 38,758   | 38,758   |
| Sports courts                            | 44       | 44       | 44       | 44       | 44       | 44       | 44       |
| Skate parks                              | 1        | 1        | 1        | 1        | 1        | 1        | 1        |
| Square footage of skate parks            | 1,850    | 1,850    | 1,850    | 1,851    | 1,850    | 1,850    | 1,850    |
| Soccer Arena                             | 0        | 0        | 0        | 0        | 1        | 1        | 1        |
| Nine-hole golf courses                   | 1        | 1        | 1        | 1        | 1        | 1        | 1        |
| Play apparatus                           | 23       | 24       | 26       | 26       | 26       | 26       | 26       |
| Water play features                      | 2        | 2        | 2        | 2        | 2        | 2        | 2        |
| Utilities:                               |          |          |          |          |          |          |          |
| Residential utility meters               | 4,702    | 4,802    | 4,904    | 5,003    | 5,028    | 5,091    | 5,202    |
| Commercial utility meters                | 499      | 565      | 545      | 599      | 592      | 607      | 639      |

1) GASB 44 allowed for the implementation of historical reporting on a prospective basis. The City has elected to report historical data in this manner.

Sources: City of Moreno Valley Technology Services, Special Districts, Transportation, Fire Department, Police Department, Parks & Community Services, Utilities.

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

|  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   |
|--|--------|--------|--------|--------|--------|--------|--------|
|  | 52     | 52     | 52     | 52     | 52     | 52     | 52     |
| Square mileage of area   |        |        |        |        |        |        |        |
| Fire protection:   |        |        |        |        |        |        |        |
| Provided by the County of Riverside in cooperation with the State Department of Forestry and Fire: |        |        |        |        |        |        |        |
| Sworn personnel  | 85     | 81     | 80     | 79     | 71     | 72     | 69     |
| Volunteers   | 25     | 25     | 25     | 10     | 16     | 16     | 25     |
| Non-sworn personnel  | 10     | 8      | 8      | 8      | 8      | 8      | 11     |
| OEM non-sworn personnel  | 0      | 0      | 0      | 0      | 2      | 3      | 3      |
| Responses to emergency calls   | 13,011 | 12,971 | 13,530 | 15,268 | 14,824 | 15,905 | 16,340 |
| Inspections and Permits  | 4,269  | 3,522  | 2,369  | 3,383  | 2,304  | 2,400  | 3,251  |
| Apartment Complex Inspections  | 0      | 0      | 0      | 0      | 849    | 872    | 1,476  |
| Plan checks  | 1,482  | 664    | 424    | 358    | 786    | 1,218  | 1,646  |
| Counter/Public inquiries   | 7,932  | 7,249  | 2,734  | 2,452  | 2,671  | 2,431  | 2,966  |
| Police protection:   |        |        |        |        |        |        |        |
| Provided through contract with the County of Riverside Sheriff's Department:                       |        |        |        |        |        |        |        |
| Sworn officers   | 188    | 186    | 184    | 186    | 181    | 181    | 153    |
| Classified personnel   | 56     | 55     | 54     | 55     | 54     | 51     | 49     |
| City support personnel   | 4      | 3      | 3      | 3      | 3      | 3      | 2      |
| Volunteers   | 39     | 56     | 62     | 77     | 85     | 77     | 69     |
| Responses to Calls:  |        |        |        |        |        |        |        |
| Priority 1   | 429    | 572    | 519    | 423    | 363    | 425    | 402    |
| Priority 1A  | 1,271  | 1,110  | 1,181  | 1,274  | 1,289  | 1,584  | 1,500  |
| Priority 2   | 24,819 | 24,967 | 24,938 | 27,797 | 26,021 | 27,733 | 28,048 |
| Priority 3   | 24,859 | 26,466 | 24,800 | 27,487 | 29,393 | 29,860 | 28,521 |
| Priority 4   | 16,932 | 17,592 | 16,630 | 18,625 | 18,087 | 17,280 | 16,662 |
| Priority 5   | 2      | 91     | 1      | 1      | 1      | 1      | 63     |
| Priority 6   | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Priority 7   | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Priority 8   | 0      | 0      | 0      | 1      | 1      | 0      | 0      |
| Priority 9   | 174    | 248    | 279    | 312    | 223    | 347    | 436    |
| Cancelled  | 5,983  | 5,359  | 5,222  | 5,543  | 5,991  | (2)    | 23,338 |
| Disp/Arr Time Missing  | 9,437  | 8,540  | 7,638  | 7,944  | 8,125  | 8,941  | 8,191  |
| Same Disp/Arr Time   | 50,516 | 60,510 | 54,645 | 54,379 | 47,638 | 45,096 | 40,425 |
| T. R. U. Calls   | 32     | 43     | 32     | 37     | 54     | 87     | 76     |
| Building and Safety:   |        |        |        |        |        |        |        |
| Building permits issued  | 2,413  | 2,058  | 1,645  | 1,700  | 1,889  | 1,797  | 2,066  |
| Counter requests for service   | 11,249 | 8,922  | 6,611  | 6,105  | 6,563  | 6,407  | 7,049  |
| Planning:  |        |        |        |        |        |        |        |
| Planning applications processed  | 1,100  | 894    | 682    | 644    | 740    | 745    | 752    |
| Counter requests for service   | 6,550  | 4,669  | 3,875  | 3,683  | 3,853  | 3,749  | 3,718  |
| Recreation and culture:  |        |        |        |        |        |        |        |
| Rounds of golf played  | 12,000 | 6,123  | 6,638  | 9,719  | n/a    | 8,209  | 9,002  |
| Facility rentals   | 971    | 893    | 1,026  | 1,005  | 992    | 997    | 111    |
| Participants in recreation programs  | 57,139 | 46,075 | 46,561 | 46,040 | 48,473 | 41,992 | 47,405 |
| Utilities:   |        |        |        |        |        |        |        |
| Average residential daily consumption (kilowatt hours)   | 18     | 19.8   | 18.5   | 18.5   | 19.7   | 20.7   | 19.1   |
| Average commercial daily consumption (kilowatt hours)  | 171    | 254.8  | 284.4  | 296.3  | 371.9  | 383.0  | 395.3  |
| New residential connections  | 473    | 123    | 93     | 99     | 23     | 63     | 111    |
| New commercial connections   | 118    | 65     | 5      | 54     | 23     | 15     | 32     |
| Employees:   |        |        |        |        |        |        |        |
| Members of City Council  | 5      | 5      | 5      | 5      | 5      | 5      | 5      |
| Members of the Planning Commission   | 7      | 7      | 7      | 7      | 7      | 7      | 7      |
| Full-time career status (FTE)  | 406    | 324    | 312    | 283    | 281    | 277    | 299    |
| Part-time career status (FTE)  | 18     | 14     | 29     | 21     | 66     | 22     | 11     |

3) GASB 44 allowed for the implementation of historical reporting on a prospective basis. The City has elected to report historical data in this manner.

Sources: City of Moreno Valley Technology Services, Fire Department, Police Department, Community & Economic Development, Parks & Community Services, Utilities, Financial-Payroll.





# COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2014  
(with Independent Auditors' Report Thereon)



City of Moreno Valley, California  
Community Services District

Financial Statements

Year Ended June 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS

**vpb** A Division of LSL, CPAs  
vilmure, peeler & boucher

- David E. Hale, CPA, CFP
- Deborah A. Harper, CPA
- Donald G. Slater, CPA
- Gary A. Cates, CPA
- Richard K. Kikuchi, CPA
- Michael D. Mangold, CPA
- Susan F. Matz, CPA
- David S. Myers, CPA
- Bryan S. Gruber, CPA

## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position and budgetary comparison for Zone L Library Services, Zone A Parks and Community Services, Zone B Street Lights and Zone E Extensive Landscape Administration for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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 an 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



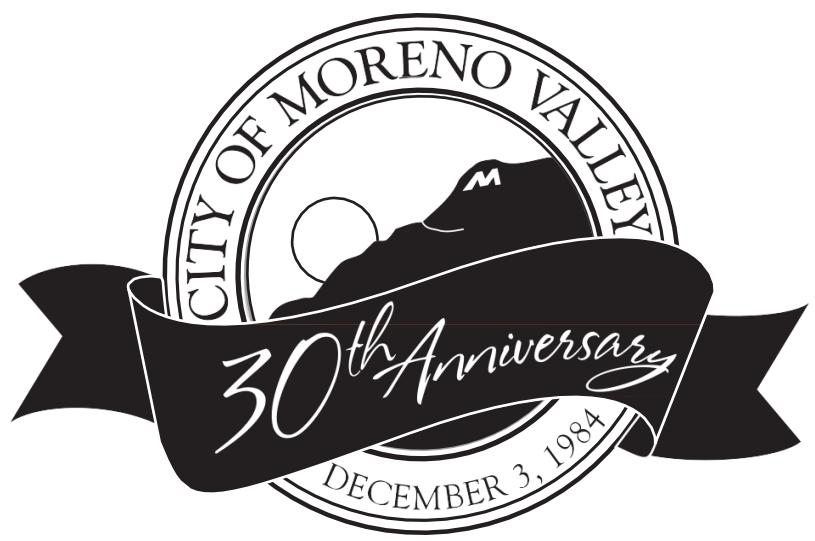
To the Directors  
City of Moreno Valley, California  
Community Services District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 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* in considering District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lungard, LLP". The signature is fluid and cursive, with "Lance" and "Soll" on the first line and "& Lungard, LLP" on the second line.

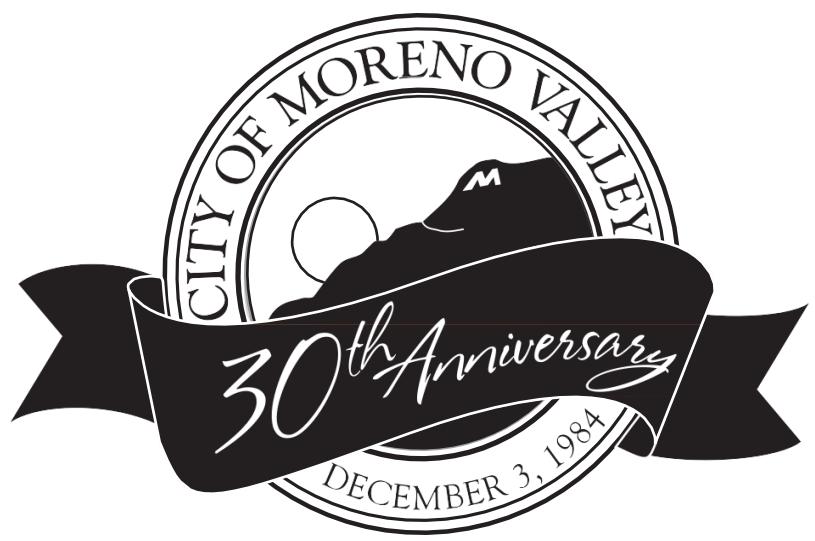
Brea, California  
November 24, 2014



**City of Moreno Valley  
Community Services District**

**Statement of Net Position  
June 30, 2014**

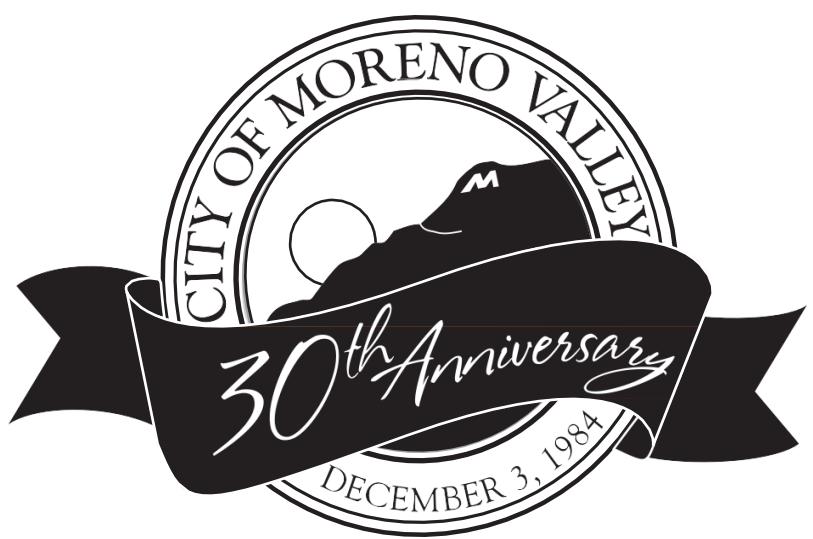
|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets:</b>                                |                                    |
| Cash and investments (note 2)                 | \$ 13,807,767                      |
| Receivables:                                  |                                    |
| Accounts                                      | 128,916                            |
| Due from other governments                    | 229,033                            |
| Capital assets not being depreciated (note 3) | 1,833,721                          |
| Capital assets, net of depreciation (note 3)  | <u>16,435,255</u>                  |
| <b>Total Assets</b>                           | <b><u>32,434,692</u></b>           |
| <b>Liabilities:</b>                           |                                    |
| Accounts payable                              | 773,027                            |
| Unearned revenue                              | 169,021                            |
| Deposits payable                              | 16,861                             |
| Due to other governments                      | 17                                 |
| Due to the City of Moreno Valley              | <u>5,634</u>                       |
| <b>Total Liabilities</b>                      | <b><u>964,560</u></b>              |
| <b>Net Position:</b>                          |                                    |
| Net investment in capital assets              | 18,268,976                         |
| Restricted for:                               |                                    |
| Special zones                                 | <u>13,201,156</u>                  |
| <b>Total Net Position</b>                     | <b><u>\$ 31,470,132</u></b>        |



**City of Moreno Valley  
Community Services District**

**Statement of Activities  
Year Ended June 30, 2014**

|   | <b>Program Revenues</b> |                                 |   |   | <b>Net<br/>(Expenses)<br/>Revenues and<br/>Changes in Net<br/>Position</b> |
|---|-------------------------|---------------------------------|---|---|--|
|   | <b>Expenses</b>         | <b>Charges for<br/>Services</b> | <b>Operating<br/>Contributions<br/>and Grants</b> | <b>Capital<br/>Contributions<br/>and Grants</b> | <b>Governmental<br/>Activities</b>   |
| <b>Functions/Programs</b>   |                         |                                 |   |   |  |
| <b>Primary Government:</b>  |                         |                                 |   |   |  |
| Governmental Activities:  |                         |                                 |   |   |  |
| Community and cultural  | \$ 14,462,217           | \$ 6,458,283                    | \$ 4,660  | \$ -  | \$ (7,999,274)   |
| Public works  | 5,760,298               | -                               | -   | -   | (5,760,298)  |
| <b>Total Governmental Activities</b>                              | <b>\$ 20,222,515</b>    | <b>\$ 6,458,283</b>             | <b>\$ 4,660</b>                                   | <b>\$ -</b>                                     | <b>(13,759,572)</b>  |
| <b>General Revenues:</b>  |                         |                                 |   |   |  |
| Taxes:  |                         |                                 |   |   |  |
| Property taxes, levied for general purpose                        |                         |                                 |   |   | 3,613,161  |
| Other taxes   |                         |                                 |   |   | 6,350,039  |
| Use of money and property   |                         |                                 |   |   | 725,733  |
| Other   |                         |                                 |   |   | 22,546   |
| <b>Capital assets contribution from the City of Moreno Valley</b> |                         |                                 |   |   | 636,915  |
| <b>Contributions from the City of Moreno Valley</b>               |                         |                                 |   |   | 1,795,013  |
| <b>Total General Revenues and Contributions</b>                   |                         |                                 |   |   | <b>13,143,407</b>  |
| Change in Net Position  |                         |                                 |   |   | (616,165)  |
| Net Position at Beginning of Year                                 |                         |                                 |   |   | 32,086,297   |
| <b>Net Position at End of Year</b>                                |                         |                                 |   |   | <b>\$ 31,470,132</b>   |



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

**Governmental Funds  
Balance Sheet  
June 30, 2014**

|  | <b>Special Revenue Funds</b>           |  |                                 |  |
|--|--|--|---------------------------------|--|
|  | <b>Zone L<br/>Library<br/>Services</b> | <b>Zone A<br/>Parks and<br/>Community<br/>Services</b> | <b>Zone B Street<br/>Lights</b> | <b>Zone E<br/>Extensive<br/>Landscaping<br/>Administration</b> |
|  |  |  |                                 |  |
| <b>Assets:</b>                             |  |  |                                 |  |
| Pooled cash and investments (note 2)       | \$ 194,683                             | \$ 4,055,834   | \$ 487,349                      | \$ 5,820,927   |
| Receivables:                               |  |  |                                 |  |
| Accounts                                   | -                                      | 89,990   | -                               | -  |
| Due from other governments                 | <u>43,528</u>                          | <u>111,956</u>   | <u>13,739</u>                   | <u>26,497</u>  |
| <b>Total Assets</b>                        | <b><u>\$ 238,211</u></b>               | <b><u>\$ 4,257,780</u></b>                             | <b><u>\$ 501,088</u></b>        | <b><u>\$ 5,847,424</u></b>                                     |
| <b>Liabilities and Fund Balances:</b>      |  |  |                                 |  |
| <b>Liabilities:</b>                        |  |  |                                 |  |
| Accounts payable                           | \$ 677                                 | \$ 233,675   | \$ 97,129                       | \$ 189,931   |
| Unearned revenues                          | -                                      | 169,021  | -                               | -  |
| Deposits payable                           | -                                      | 16,861   | -                               | -  |
| Due to other governments                   | -                                      | 17   | -                               | -  |
| Due to the City of Moreno Valley           | <u>-</u>                               | <u>5,634</u>   | <u>-</u>                        | <u>-</u>   |
| <b>Total Liabilities</b>                   | <b><u>677</u></b>                      | <b><u>425,208</u></b>                                  | <b><u>97,129</u></b>            | <b><u>189,931</u></b>  |
| <b>Fund Balances:</b>                      |  |  |                                 |  |
| <b>Restricted for:</b>                     |  |  |                                 |  |
| Special zones                              | <u>237,534</u>                         | <u>3,832,572</u>                                       | <u>403,959</u>                  | <u>5,657,493</u>   |
| <b>Total Fund Balances</b>                 | <b><u>237,534</u></b>                  | <b><u>3,832,572</u></b>                                | <b><u>403,959</u></b>           | <b><u>5,657,493</u></b>  |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 238,211</u></b>               | <b><u>\$ 4,257,780</u></b>                             | <b><u>\$ 501,088</u></b>        | <b><u>\$ 5,847,424</u></b>                                     |

| <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |  |
|--|---|--|
| \$ 3,248,974                               | \$ 13,807,767                           |  |
| 38,926                                     | 128,916                                 | <b>Assets:</b>                             |
| 33,313                                     | 229,033                                 | Pooled cash and investments (note 2)       |
|  |   | Receivables:                               |
|  |   | Accounts                                   |
|  |   | Due from other governments                 |
| <b>\$ 3,321,213</b>                        | <b>\$ 14,165,716</b>                    | <b>Total Assets</b>                        |
|  |   | <b>Liabilities and Fund Balances:</b>      |
|  |   | <b>Liabilities:</b>                        |
| \$ 251,615                                 | \$ 773,027                              | Accounts payable                           |
| -  | 169,021                                 | Unearned revenues                          |
| -  | 16,861                                  | Deposits payable                           |
| -  | 17                                      | Due to other governments                   |
| -  | 5,634                                   | Due to other funds                         |
| <b>251,615</b>                             | <b>964,560</b>                          | <b>Total Liabilities</b>                   |
|  |   | <b>Fund Balances:</b>                      |
|  |   | <b>Restricted for:</b>                     |
| 3,069,598                                  | 13,201,156                              | Special zones                              |
| <b>3,069,598</b>                           | <b>13,201,156</b>                       | <b>Total Fund Balances</b>                 |
| <b>\$ 3,321,213</b>                        | <b>\$ 14,165,716</b>                    | <b>Total Liabilities and Fund Balances</b> |



**City of Moreno Valley  
Community Services District**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2014**

|                                     |               |
|-------------------------------------|---------------|
| Fund balances of governmental funds | \$ 13,201,156 |
|-------------------------------------|---------------|

Amounts reported for governmental activities in the statement of net position 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                       | 1,833,721         |
| Depreciable capital assets, net of accumulated depreciation | <u>16,435,255</u> |

|  |                      |
|--|----------------------|
| <b>Net Position of governmental activities</b> | <b>\$ 31,470,132</b> |
|--|----------------------|

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

**Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2014**

|  | <b>Special Revenue Funds</b>  |                                    |                         |  |       |
|--|-------------------------------|------------------------------------|-------------------------|--|-------|
|  | Zone L<br>Library<br>Services | Parks and<br>Community<br>Services | Zone B Street<br>Lights | Zone E<br>Extensive<br>Landscaping<br>Administration |       |
|  | <b>Total Revenues</b>         | <b>8,914,483</b>                   | <b>1,047,079</b>        | <b>2,483,442</b>                                     |       |
| <b>Revenues:</b>   |                               |                                    |                         |  |       |
| Taxes:   |                               |                                    |                         |  |       |
| Property taxes   | \$ 1,493,915                  | \$ 1,881,226                       | \$ 90,126               | \$ -   | -     |
| Other taxes  | - -                           | 4,945,434                          | - -                     | - -  | -     |
| Intergovernmental  | 4,660                         | - -                                | - -                     | - -  | -     |
| Charges for services   | 24,877                        | 1,036,384                          | 955,075                 | 2,386,875  |       |
| Use of money and property                                    | - -                           | 578,518                            | 1,878                   | 93,658   |       |
| Fines and forfeitures  | 41,980                        | - -                                | - -                     | - -  | -     |
| Miscellaneous  | 4,619                         | 472,921                            | - -                     | - -  | 2,909 |
| <b>Total Revenues</b>  | <b>1,570,051</b>              | <b>8,914,483</b>                   | <b>1,047,079</b>        | <b>2,483,442</b>                                     |       |
| <b>Expenditures:</b>   |                               |                                    |                         |  |       |
| Current:   |                               |                                    |                         |  |       |
| Community and cultural                                       | 2,122,499                     | 8,636,153                          | - -                     | - -  | -     |
| Public works   | - -                           | - -                                | 1,506,094               | 2,075,691  |       |
| Capital outlay   | - -                           | 52,150                             | - -                     | - -  | -     |
| <b>Total Expenditures</b>                                    | <b>2,122,499</b>              | <b>8,688,303</b>                   | <b>1,506,094</b>        | <b>2,075,691</b>                                     |       |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (552,448)                     | 226,180                            | (459,015)               | 407,751  |       |
| <b>Other Financing Sources (Uses):</b>                       |                               |                                    |                         |  |       |
| Contribution from the City of Moreno Valley                  | 617,835                       | 307,500                            | 608,000                 | - -  | -     |
| Contribution to the City of Moreno Valley                    | - -                           | - -                                | - -                     | (129,722)  |       |
| Transfers in   | - -                           | - -                                | 258,400                 | - -  | -     |
| Transfers out  | - -                           | - -                                | - -                     | - -  | -     |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>617,835</b>                | <b>307,500</b>                     | <b>866,400</b>          | <b>(129,722)</b>                                     |       |
| Net Change in Fund Balances                                  | 65,387                        | 533,680                            | 407,385                 | 278,029  |       |
| Fund Balances, Beginning of Year                             | 172,147                       | 3,298,892                          | (3,426)                 | 5,379,464  |       |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 237,534</b>             | <b>\$ 3,832,572</b>                | <b>\$ 403,959</b>       | <b>\$ 5,657,493</b>                                  |       |

| <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |  |
|--|---|--|
| <b>Revenues:</b>                           |   |  |
|  |   | Taxes:   |
| \$ 147,894                                 | \$ 3,613,161                            | Property taxes   |
| 1,404,605                                  | 6,350,039                               | Other taxes  |
| -  | 4,660                                   | Intergovernmental  |
| 1,555,189                                  | 5,958,400                               | Charges for services   |
| 51,679                                     | 725,733                                 | Use of money and property                                    |
| -  | 41,980                                  | Fines and forfeitures  |
| -  | 480,449                                 | Miscellaneous  |
| <b><u>3,159,367</u></b>                    | <b><u>17,174,422</u></b>                | <b>Total Revenues</b>  |
| <b>Expenditures:</b>                       |   |  |
|  |   | Current:   |
| 1,129,787                                  | 11,888,439                              | Community and cultural                                       |
| 2,178,513                                  | 5,760,298                               | Public works   |
| 286,898                                    | 339,048                                 | Capital outlay   |
| <b><u>3,595,198</u></b>                    | <b><u>17,987,785</u></b>                | <b>Total Expenditures</b>                                    |
|  |   | Excess (Deficiency) of Revenues<br>Over (Under) Expenditures |
| <b>(435,831)</b>                           | <b>(813,363)</b>                        |  |
| <b>Other Financing Sources (Uses):</b>     |   |  |
| 391,400                                    | 1,924,735                               | Contribution from the City of Moreno Valley                  |
| -  | (129,722)                               | Contribution to the City of Moreno Valley                    |
| -  | 258,400                                 | Transfers in   |
| <b><u>(258,400)</u></b>                    | <b><u>(258,400)</u></b>                 | Transfers out  |
| <b><u>133,000</u></b>                      | <b><u>1,795,013</u></b>                 | <b>Total Other Financing Sources<br/>(Uses)</b>              |
| <b><u>(302,831)</u></b>                    | <b><u>981,650</u></b>                   | Net Change in Fund Balances                                  |
| <b><u>3,372,429</u></b>                    | <b><u>12,219,506</u></b>                | Fund Balances, Beginning of Year                             |
| <b><u>\$ 3,069,598</u></b>                 | <b><u>\$ 13,201,156</u></b>             | <b>Fund Balances, End of Year</b>                            |

**City of Moreno Valley  
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, 2014**

|  |            |
|--|------------|
| Net change in fund balances - total governmental funds | \$ 981,650 |
|--|------------|

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  | 339,048        |
| Depreciation expense  | (2,053,903)    |
| Loss on disposal of assets                                  | (519,875)      |
| Capital assets contributions from the City of Moreno Valley | <u>636,915</u> |

|  |                            |
|--|----------------------------|
| <b>Change in net position of governmental activities</b> | <b><u>\$ (616,165)</u></b> |
|--|----------------------------|

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

**Zone L Library Services  
Budgetary Comparison Statement  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|-------------------|---------------------------|---|
|  | <b>Original</b>         | <b>Final</b>      |                           |   |
| <b>Revenues:</b>   |                         |                   |                           |   |
| Taxes:   |                         |                   |                           |   |
| Property taxes   | \$ 1,284,000            | \$ 1,284,000      | \$ 1,493,915              | \$ 209,915  |
| Intergovernmental  | -                       | -                 | 4,660                     | 4,660   |
| Charges for services   | 18,000                  | 18,000            | 24,877                    | 6,877   |
| Fines and forfeitures  | 50,000                  | 50,000            | 41,980                    | (8,020)   |
| Miscellaneous  | 2,000                   | 2,480             | 4,619                     | 2,139   |
| <b>Total Revenues</b>  | <b>1,354,000</b>        | <b>1,354,480</b>  | <b>1,570,051</b>          | <b>215,571</b>  |
| <b>Expenditures:</b>   |                         |                   |                           |   |
| Current:   |                         |                   |                           |   |
| Community and cultural                                       | 1,812,217               | 2,145,013         | 2,122,499                 | 22,514  |
| <b>Total Expenditures</b>                                    | <b>1,812,217</b>        | <b>2,145,013</b>  | <b>2,122,499</b>          | <b>22,514</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (458,217)               | (790,533)         | (552,448)                 | 238,085   |
| <b>Other Financing Sources (Uses)</b>                        |                         |                   |                           |   |
| Contribution from the City of Moreno Valley                  | 519,708                 | 777,835           | 617,835                   | (160,000)   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>519,708</b>          | <b>777,835</b>    | <b>617,835</b>            | <b>(160,000)</b>  |
| Net Change in Fund Balances                                  | 61,491                  | (12,698)          | 65,387                    | 78,085  |
| Fund Balance, Beginning of Year                              | 172,147                 | 172,147           | 172,147                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 233,638</b>       | <b>\$ 159,449</b> | <b>\$ 237,534</b>         | <b>\$ 78,085</b>  |

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

**Zone A Parks and Community Services  
Budgetary Comparison Statement  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------------|---------------------------|---|
|  | <b>Original</b>         | <b>Final</b>        |                           |   |
| <b>Revenues:</b>   |                         |                     |                           |   |
| Taxes:   |                         |                     |                           |   |
| Property taxes   | \$ 1,709,000            | \$ 1,709,000        | \$ 1,881,226              | \$ 172,226  |
| Other taxes  | 4,900,000               | 4,900,000           | 4,945,434                 | 45,434  |
| Charges for services   | 1,067,122               | 1,067,122           | 1,036,384                 | (30,738)  |
| Use of money and property                                    | 583,900                 | 583,900             | 578,518                   | (5,382)   |
| Miscellaneous  | 18,100                  | 18,100              | 472,921                   | 454,821   |
| <b>Total Revenues</b>  | <b>8,278,122</b>        | <b>8,278,122</b>    | <b>8,914,483</b>          | <b>636,361</b>  |
| <b>Expenditures:</b>   |                         |                     |                           |   |
| Current:   |                         |                     |                           |   |
| Community and cultural                                       | 8,796,506               | 8,978,871           | 8,636,153                 | 342,718   |
| Capital outlay   | 192,000                 | 205,000             | 52,150                    | 152,850   |
| <b>Total Expenditures</b>                                    | <b>8,988,506</b>        | <b>9,183,871</b>    | <b>8,688,303</b>          | <b>495,568</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (710,384)               | (905,749)           | 226,180                   | 1,131,929   |
| <b>Other Financing Sources (Uses)</b>                        |                         |                     |                           |   |
| Contribution from the City of Moreno Valley                  | 424,136                 | 424,136             | 307,500                   | (116,636)   |
| Transfers out  | (160,000)               | (160,000)           | -                         | 160,000   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>264,136</b>          | <b>264,136</b>      | <b>307,500</b>            | <b>43,364</b>   |
| Net Change in Fund Balances                                  | (446,248)               | (641,613)           | 533,680                   | 1,175,293   |
| Fund Balance, Beginning of Year                              | 3,298,892               | 3,298,892           | 3,298,892                 | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 2,852,644</b>     | <b>\$ 2,657,279</b> | <b>\$ 3,832,572</b>       | <b>\$ 1,175,293</b>   |

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

**Zone B Street Lights  
Budgetary Comparison Statement  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|-------------------|---------------------------|---|
|  | <b>Original</b>         | <b>Final</b>      |                           |   |
| <b>Revenues:</b>   |                         |                   |                           |   |
| Taxes:   |                         |                   |                           |   |
| Property taxes   | \$ 85,300               | \$ 85,300         | \$ 90,126                 | \$ 4,826  |
| Charges for services   | 984,000                 | 941,800           | 955,075                   | 13,275  |
| Use of money and property                                    | -                       | -                 | 1,878                     | 1,878   |
| <b>Total Revenues</b>  | <b>1,069,300</b>        | <b>1,027,100</b>  | <b>1,047,079</b>          | <b>19,979</b>   |
| <b>Expenditures:</b>   |                         |                   |                           |   |
| Current:   |                         |                   |                           |   |
| Public works   | 1,677,100               | 1,683,805         | 1,506,094                 | 177,711   |
| <b>Total Expenditures</b>                                    | <b>1,677,100</b>        | <b>1,683,805</b>  | <b>1,506,094</b>          | <b>177,711</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (607,800)               | (656,705)         | (459,015)                 | 197,690   |
| <b>Other Financing Sources (Uses)</b>                        |                         |                   |                           |   |
| Contributions from the City of Moreno Valley                 | 349,600                 | 608,000           | 608,000                   | -   |
| Transfers in   | 258,400                 | 258,400           | 258,400                   | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>608,000</b>          | <b>866,400</b>    | <b>866,400</b>            | <b>-</b>  |
| Net Change in Fund Balances                                  | 200                     | 209,695           | 407,385                   | 197,690   |
| Fund Balance, Beginning of Year                              | (3,426)                 | (3,426)           | (3,426)                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ (3,226)</b>       | <b>\$ 206,269</b> | <b>\$ 403,959</b>         | <b>\$ 197,690</b>   |

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

**Zone E Extensive Landscaping Administration  
Budgetary Comparison Statement  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------------|---------------------------|---|
|  | <b>Original</b>         | <b>Final</b>        |                           |   |
| <b>Revenues:</b>   |                         |                     |                           |   |
| Taxes:   |                         |                     |                           |   |
| Charges for services   | \$ 2,466,909            | \$ 2,367,309        | \$ 2,386,875              | \$ 19,566   |
| Use of money and property                                    | 4,346                   | 4,346               | 93,658                    | 89,312  |
| Miscellaneous  | -                       | -                   | 2,909                     | 2,909   |
| <b>Total Revenues</b>  | <b>2,471,255</b>        | <b>2,371,655</b>    | <b>2,483,442</b>          | <b>111,787</b>  |
| <b>Expenditures:</b>   |                         |                     |                           |   |
| Current:   |                         |                     |                           |   |
| Public works   | 2,481,783               | 2,498,363           | 2,075,691                 | 422,672   |
| <b>Total Expenditures</b>                                    | <b>2,481,783</b>        | <b>2,498,363</b>    | <b>2,075,691</b>          | <b>422,672</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (10,528)                | (126,708)           | 407,751                   | 534,459   |
| <b>Other Financing Sources (Uses)</b>                        |                         |                     |                           |   |
| Contributions to the City of Moreno Valley                   | -                       | (129,722)           | (129,722)                 | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>                | <b>(129,722)</b>    | <b>(129,722)</b>          | <b>-</b>  |
| Net Change in Fund Balances                                  | (10,528)                | (256,430)           | 278,029                   | 534,459   |
| Fund Balance, Beginning of Year                              | 5,379,464               | 5,379,464           | 5,379,464                 | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 5,368,936</b>     | <b>\$ 5,123,034</b> | <b>\$ 5,657,493</b>       | <b>\$ 534,459</b>   |

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

**Notes to Financial Statements  
June 30, 2014**

**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 position 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, 2014**

**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 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 B Street Lights accounts for the operations necessary to provide residential subdivision street lighting.

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

**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 XIIIIB 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, 2014**

**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.

For the year ended June 30, 2014, there were no funds that had in excess of appropriations adopted by City Council.

**e. Unavailable Revenue and Unearned Revenue**

The District reports unavailable revenue in the fund-level statements as deferred inflows. Unavailable 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 deferred inflow for unavailable revenue is removed and revenue is recognized.

The District reports unearned revenue in the fund-level statements and in the statement of net position. 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.

**f. 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 or 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 resolution by the governing body.

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 Management 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, 2014**

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

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

**Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**g. Net Position**

In the government-wide financial statements, net position is classified in the following categories:

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

**Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**h. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streetlights, medians, 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.

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

**Notes to Financial Statements (Continued)**  
**June 30, 2014**

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

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

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

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

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

**i. 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.

**j. 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.

**k. 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.

**I. 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.

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

**Notes to Financial Statements (Continued)**  
**June 30, 2014**

**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>\$13,807,767</u> |
|---|---------------------|

The District's cash and investments are pooled with the City of Moreno Valley's cash and investments in order to generate optimum investment income. The District is a voluntary participant in the City's investment pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. The District has not adopted an investment policy separate from that of the City. Each fund's share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e. credit, interest rate, custodial, etc.) and other disclosures associated with the City's pooled cash and investments is included in the City's basic financial statements, which are available at City Hall.

**Note 3: Capital Assets**

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

|  | Balances<br>7/1/2013 | Adjustments*     | Transfers        | Additions             | Deletions           | Balances<br>6/30/2014 |
|--|----------------------|------------------|------------------|-----------------------|---------------------|-----------------------|
| <b>Non-depreciable Assets:</b>                       |                      |                  |                  |                       |                     |                       |
| Land   | \$ 779,584           | \$ -             | \$ -             | \$ -                  | \$ -                | \$ 779,584            |
| Construction in progress                             | 1,445,420            | -                | (790,329)        | 918,921               | (519,875)           | 1,054,137             |
| <b>Total Non-depreciable Assets</b>                  | <b>2,225,004</b>     | <b>-</b>         | <b>(790,329)</b> | <b>918,921</b>        | <b>(519,875)</b>    | <b>1,833,721</b>      |
| <b>Depreciable Assets:</b>                           |                      |                  |                  |                       |                     |                       |
| Buildings and Improvements                           | 49,922,676           | 144,826          | 436,632          | 10,410                | -                   | 50,514,544            |
| Furniture and Equipment                              | 1,784,278            | 441,989          | 353,697          | 46,632                | (26,723)            | 2,599,873             |
| Vehicles   | 535,286              | 329,436          | -                | -                     | -                   | 864,722               |
| Infrastructure                                       | 101,457              | -                | -                | -                     | -                   | 101,457               |
| <b>Total Depreciable Assets</b>                      | <b>52,343,697</b>    | <b>916,251</b>   | <b>790,329</b>   | <b>57,042</b>         | <b>(26,723)</b>     | <b>54,080,596</b>     |
| <b>Accumulated Depreciation:</b>                     |                      |                  |                  |                       |                     |                       |
| Buildings and Improvements                           | (32,895,899)         | (144,826)        | -                | (1,713,489)           | -                   | (34,754,214)          |
| Furniture and Equipment                              | (1,304,415)          | (441,989)        | -                | (321,985)             | 26,723              | (2,041,666)           |
| Vehicles   | (488,682)            | (329,436)        | -                | (14,404)              | -                   | (832,522)             |
| Infrastructure                                       | (12,914)             | -                | -                | (4,025)               | -                   | (16,939)              |
| <b>Total Accumulated Depreciation</b>                | <b>(34,701,910)</b>  | <b>(916,251)</b> | <b>-</b>         | <b>(2,053,903)</b>    | <b>26,723</b>       | <b>(37,645,341)</b>   |
| <b>Total Depreciable Assets, Net of Depreciation</b> | <b>17,641,787</b>    | <b>-</b>         | <b>790,329</b>   | <b>(1,996,861)</b>    | <b>-</b>            | <b>16,435,255</b>     |
| <b>Total Capital Assets, Net of Depreciation</b>     | <b>\$ 19,866,791</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ (1,077,940)</b> | <b>\$ (519,875)</b> | <b>\$ 18,268,976</b>  |

\*These assets were transferred from the City of Moreno Valley, however they are fully depreciated assets so there is no effect on the Statement of Net Position.

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

**Notes to Financial Statements (Continued)  
June 30, 2014**

**Note 3: Capital Assets (Continued)**

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

Governmental Activities:  
Community and cultural \$ 2,053,903

**Note 4: 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  
Community Services District**

**Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2014**

|  | <b>Special Revenue Funds</b>                          |   |                          |                            |  |
|--|---|---|--------------------------|----------------------------|--|
|  | Zone C<br>Arterial Street<br>Lights<br>Administration | Zone D<br>Standard<br>Landscaping<br>Administration | Zone M<br>Median         | CFD #1                     |  |
| <b>Assets:</b>                             |   |   |                          |                            |  |
| Pooled cash and investments                | \$ 373,368  | \$ 1,010,075  | \$ 521,853               | \$ 1,256,177               |  |
| Receivables:                               |   |   |                          |                            |  |
| Accounts                                   | 38,926  | -   | -                        | -                          |  |
| Due from other governments                 | <u>9,037</u>  | <u>11,462</u>                                       | <u>2,509</u>             | <u>9,352</u>               |  |
| <b>Total Assets</b>                        | <b><u>\$ 421,331</u></b>                              | <b><u>\$ 1,021,537</u></b>                          | <b><u>\$ 524,362</u></b> | <b><u>\$ 1,265,529</u></b> |  |
| <b>Liabilities and Fund Balances:</b>      |   |   |                          |                            |  |
| <b>Liabilities:</b>                        |   |   |                          |                            |  |
| Accounts payable                           | \$ 67,891   | \$ 77,072   | \$ 20,621                | \$ 82,471                  |  |
| <b>Total Liabilities</b>                   | <b><u>67,891</u></b>                                  | <b><u>77,072</u></b>                                | <b><u>20,621</u></b>     | <b><u>82,471</u></b>       |  |
| <b>Fund Balances:</b>                      |   |   |                          |                            |  |
| <b>Restricted for:</b>                     |   |   |                          |                            |  |
| Special zones                              | <u>353,440</u>  | <u>944,465</u>                                      | <u>503,741</u>           | <u>1,183,058</u>           |  |
| <b>Total Fund Balances</b>                 | <b><u>353,440</u></b>                                 | <b><u>944,465</u></b>                               | <b><u>503,741</u></b>    | <b><u>1,183,058</u></b>    |  |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 421,331</u></b>                              | <b><u>\$ 1,021,537</u></b>                          | <b><u>\$ 524,362</u></b> | <b><u>\$ 1,265,529</u></b> |  |

| <b>Special<br/>Revenue<br/>Funds</b>           |           |  |
|--|-----------|--|
| <b>Zone S</b>                                  |           |  |
| <b>Sunnymead<br/>Boulevard<br/>Maintenance</b> |           | <b>Total Nonmajor<br/>Funds</b>            |
| \$ 87,501                                      |           | \$ 3,248,974                               |
| -  |           | 38,926                                     |
| 953  |           | <u>33,313</u>                              |
| <b>\$ 88,454</b>                               | <b>\$</b> | <b><u>3,321,213</u></b>                    |
|  |           | <b>Assets:</b>                             |
|  |           | Pooled cash and investments                |
|  |           | Receivables:                               |
|  |           | Accounts                                   |
|  |           | Due from other governments                 |
|  |           | <b>Total Assets</b>                        |
|  |           | <b>Liabilities and Fund Balances:</b>      |
|  |           | <b>Liabilities:</b>                        |
|  |           | Accounts payable                           |
|  |           | <b>Total Liabilities</b>                   |
|  |           | <b>Fund Balances:</b>                      |
|  |           | <b>Restricted for:</b>                     |
|  |           | Special zones                              |
|  |           | <b>Total Fund Balances</b>                 |
|  |           | <b>Total Liabilities and Fund Balances</b> |
| <b>\$ 88,454</b>                               | <b>\$</b> | <b><u>3,321,213</u></b>                    |

**City of Moreno Valley  
Community Services District**

**Nonmajor Governmental Funds  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
Year Ended June 30, 2014**

|  | Special Revenue Funds                                 |   |                   |                     |
|--|---|---|-------------------|---------------------|
|  | Zone C<br>Arterial Street<br>Lights<br>Administration | Zone D<br>Standard<br>Landscaping<br>Administration | Zone M<br>Median  | CFD #1              |
|  |   |   |                   |                     |
| <b>Revenues:</b>   |   |   |                   |                     |
| Taxes:   |   |   |                   |                     |
| Property taxes   | \$ 147,894  | \$ -  | \$ -              | \$ -                |
| Other taxes  | 424,465   | -   | -                 | 980,140             |
| Charges for services   | 133,719   | 1,167,518   | 170,796           | 25,545              |
| Use of money and property                                    | 6,158   | 13,526  | 8,647             | 22,022              |
| <b>Total Revenues</b>  | <b>712,236</b>  | <b>1,181,044</b>                                    | <b>179,443</b>    | <b>1,027,707</b>    |
| <b>Expenditures:</b>   |   |   |                   |                     |
| Current:   |   |   |                   |                     |
| Community and cultural                                       | -   | -   | -                 | 1,129,787           |
| Public works   | 843,498   | 1,042,872   | 244,721           | -                   |
| Capital outlay   | -   | -   | -                 | 286,898             |
| <b>Total Expenditures</b>                                    | <b>843,498</b>  | <b>1,042,872</b>                                    | <b>244,721</b>    | <b>1,416,685</b>    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (131,262)   | 138,172   | (65,278)          | (388,978)           |
| <b>Other Financing Sources (Uses):</b>                       |   |   |                   |                     |
| Contribution from the City of Moreno Valley                  | 288,000   | -   | 103,400           | -                   |
| Transfers out  | (258,400)   | -   | -                 | -                   |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>29,600</b>   | <b>-</b>  | <b>103,400</b>    | <b>-</b>            |
| Net Change in Fund Balances                                  | (101,662)   | 138,172   | 38,122            | (388,978)           |
| Fund Balances, Beginning of Year                             | 455,102   | 806,293   | 465,619           | 1,572,036           |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 353,440</b>                                     | <b>\$ 944,465</b>                                   | <b>\$ 503,741</b> | <b>\$ 1,183,058</b> |

| <b>Special<br/>Revenue<br/>Funds</b>           |   |   |
|--|---|---|
| <b>Zone S</b>                                  |   |   |
| <b>Sunnymead<br/>Boulevard<br/>Maintenance</b> |   | <b>Total Nonmajor<br/>Funds</b>                 |
| \$   | - | \$ 147,894                                      |
|  | - | 1,404,605                                       |
| 57,611   |   | 1,555,189                                       |
| 1,326  |   | 51,679  |
| <b>58,937</b>                                  |   | <b>3,159,367</b>                                |
|  |   | <b>Revenues:</b>                                |
| Taxes:   |   |   |
| Property taxes                                 |   |   |
| Other taxes                                    |   |   |
| Charges for services                           |   |   |
| Use of money and property                      |   |   |
|  |   | <b>Total Revenues</b>                           |
|  |   | <b>Expenditures:</b>                            |
| Current:                                       |   |   |
| Community and cultural                         |   |   |
| Public works                                   |   |   |
| Capital outlay                                 |   |   |
| <b>47,422</b>                                  |   | <b>3,595,198</b>                                |
|  |   | <b>Total Expenditures</b>                       |
|  |   | Excess (Deficiency) of Revenues                 |
| Over (Under) Expenditures                      |   |   |
|  |   | <b>Other Financing Sources (Uses):</b>          |
| Contribution from the City of Moreno Valley    |   |   |
| Transfers out                                  |   |   |
|  |   | <b>Total Other Financing Sources<br/>(Uses)</b> |
| <b>-</b>                                       |   | <b>133,000</b>                                  |
|  |   | Net Change in Fund Balances                     |
| <b>11,515</b>                                  |   | (302,831)                                       |
|  |   | Fund Balances, Beginning of Year                |
| <b>73,379</b>                                  |   | <b>3,372,429</b>                                |
| <b>\$ 84,894</b>                               |   | <b>\$ 3,069,598</b>                             |
|  |   | <b>Fund Balances, End of Year</b>               |

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

**Zone C Arterial Street Lights Administration  
Budgetary Comparison Schedule  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|-------------------|---------------------------|---|
|  | <b>Original</b>         | <b>Final</b>      |                           |   |
| <b>Revenues:</b>   |                         |                   |                           |   |
| Taxes:   |                         |                   |                           |   |
| Property taxes   | \$ 110,000              | \$ 110,000        | \$ 147,894                | \$ 37,894   |
| Other taxes  | 422,000                 | 422,000           | 424,465                   | 2,465   |
| Charges for services   | 108,500                 | 60,000            | 133,719                   | 73,719  |
| Use of money and property                                    | -                       | -                 | 6,158                     | 6,158   |
| <b>Total Revenues</b>  | <b>640,500</b>          | <b>592,000</b>    | <b>712,236</b>            | <b>120,236</b>  |
| <b>Expenditures:</b>   |                         |                   |                           |   |
| Current:   |                         |                   |                           |   |
| Public works   | 927,800                 | 929,985           | 843,498                   | 86,487  |
| <b>Total Expenditures</b>                                    | <b>927,800</b>          | <b>929,985</b>    | <b>843,498</b>            | <b>86,487</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (287,300)               | (337,985)         | (131,262)                 | 206,723   |
| <b>Other Financing Sources (Uses)</b>                        |                         |                   |                           |   |
| Contribution from the City of Moreno Valley                  | 288,000                 | 288,000           | 288,000                   | -   |
| Transfers out  | -                       | (258,400)         | (258,400)                 | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>288,000</b>          | <b>29,600</b>     | <b>29,600</b>             | <b>-</b>  |
| Net Change in Fund Balances                                  | 700                     | (308,385)         | (101,662)                 | 206,723   |
| Fund Balance, Beginning of Year                              | 455,102                 | 455,102           | 455,102                   | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 455,802</b>       | <b>\$ 146,717</b> | <b>\$ 353,440</b>         | <b>\$ 206,723</b>   |

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

**Zone D Standard Landscaping Administration  
Budgetary Comparison Schedule  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual Amounts</b> | <b>Variance with Final Budget</b><br><b>Positive (Negative)</b> |
|--|-------------------------|-------------------|-----------------------|---|
|  | <b>Original</b>         | <b>Final</b>      |                       |   |
| <b>Revenues:</b>   |                         |                   |                       |   |
| Charges for services   | \$ 1,188,600            | \$ 1,163,600      | \$ 1,167,518          | \$ 3,918  |
| Use of money and property                                    | 515                     | 515               | 13,526                | 13,011  |
| <b>Total Revenues</b>  | <b>1,189,115</b>        | <b>1,164,115</b>  | <b>1,181,044</b>      | <b>16,929</b>   |
| <b>Expenditures:</b>   |                         |                   |                       |   |
| Current:   |                         |                   |                       |   |
| Public works   | 1,086,200               | 1,096,642         | 1,042,872             | 53,770  |
| <b>Total Expenditures</b>                                    | <b>1,086,200</b>        | <b>1,096,642</b>  | <b>1,042,872</b>      | <b>53,770</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 102,915                 | 67,473            | 138,172               | 70,699  |
| Net Change in Fund Balances                                  | 102,915                 | 67,473            | 138,172               | 70,699  |
| Fund Balance, Beginning of Year                              | 806,293                 | 806,293           | 806,293               | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 909,208</b>       | <b>\$ 873,766</b> | <b>\$ 944,465</b>     | <b>\$ 70,699</b>  |

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

**Zone M Median  
Budgetary Comparison Schedule  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual Amounts</b> | <b>Variance with Final Budget</b><br><b>Positive (Negative)</b> |
|--|-------------------------|-------------------|-----------------------|---|
|  | <b>Original</b>         | <b>Final</b>      |                       |   |
| <b>Revenues:</b>   |                         |                   |                       |   |
| Charges for services   | \$ 200,700              | \$ 166,500        | \$ 170,796            | \$ 4,296  |
| Use of money and property                                    | 409                     | 409               | 8,647                 | 8,238   |
| <b>Total Revenues</b>  | <b>201,109</b>          | <b>166,909</b>    | <b>179,443</b>        | <b>12,534</b>   |
| <b>Expenditures:</b>   |                         |                   |                       |   |
| Current:   |                         |                   |                       |   |
| Public works   | 281,844                 | 285,224           | 244,721               | 40,503  |
| <b>Total Expenditures</b>                                    | <b>281,844</b>          | <b>285,224</b>    | <b>244,721</b>        | <b>40,503</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (80,735)                | (118,315)         | (65,278)              | 53,037  |
| <b>Other Financing Sources (Uses)</b>                        |                         |                   |                       |   |
| Contribution from the City of Moreno Valley                  | 103,400                 | 103,400           | 103,400               | -   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>103,400</b>          | <b>103,400</b>    | <b>103,400</b>        | <b>-</b>  |
| Net Change in Fund Balances                                  | 22,665                  | (14,915)          | 38,122                | 53,037  |
| Fund Balance, Beginning of Year                              | 465,619                 | 465,619           | 465,619               | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 488,284</b>       | <b>\$ 450,704</b> | <b>\$ 503,741</b>     | <b>\$ 53,037</b>  |

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

**CFD #1  
Budgetary Comparison Schedule  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|-------------------|---------------------------|---|
|  | <b>Original</b>         | <b>Final</b>      |                           |   |
| <b>Revenues:</b>   |                         |                   |                           |   |
| Taxes:   |                         |                   |                           |   |
| Other taxes  | \$ 1,000,000            | \$ 1,000,000      | \$ 980,140                | \$ (19,860)   |
| Charges for services   | 25,400                  | 25,400            | 25,545                    | 145   |
| Use of money and property                                    | 25,000                  | 25,000            | 22,022                    | (2,978)   |
| <b>Total Revenues</b>  | <b>1,050,400</b>        | <b>1,050,400</b>  | <b>1,027,707</b>          | <b>(22,693)</b>   |
| <b>Expenditures:</b>   |                         |                   |                           |   |
| Current:   |                         |                   |                           |   |
| Community and cultural                                       | 1,182,223               | 1,226,277         | 1,129,787                 | 96,490  |
| Capital outlay   | 691,000                 | 787,000           | 286,898                   | 500,102   |
| <b>Total Expenditures</b>                                    | <b>1,873,223</b>        | <b>2,013,277</b>  | <b>1,416,685</b>          | <b>596,592</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (822,823)               | (962,877)         | (388,978)                 | 573,899   |
| Net Change in Fund Balances                                  | (822,823)               | (962,877)         | (388,978)                 | 573,899   |
| Fund Balance, Beginning of Year                              | 1,572,036               | 1,572,036         | 1,572,036                 | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 749,213</b>       | <b>\$ 609,159</b> | <b>\$ 1,183,058</b>       | <b>\$ 573,899</b>   |

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

**Zone S Sunnymead Boulevard Maintenance  
Budgetary Comparison Schedule  
Year Ended June 30, 2014**

|  | <b>Budgeted Amounts</b> |                  | <b>Actual Amounts</b> | <b>Variance with Final Budget</b><br><b>Positive (Negative)</b> |
|--|-------------------------|------------------|-----------------------|---|
|  | <b>Original</b>         | <b>Final</b>     |                       |   |
| <b>Revenues:</b>   |                         |                  |                       |   |
| Charges for services   | \$ 55,800               | \$ 55,800        | \$ 57,611             | \$ 1,811  |
| Use of money and property                                    | 51                      | 51               | 1,326                 | 1,275   |
| <b>Total Revenues</b>  | <b>55,851</b>           | <b>55,851</b>    | <b>58,937</b>         | <b>3,086</b>  |
| <b>Expenditures:</b>   |                         |                  |                       |   |
| Current:   |                         |                  |                       |   |
| Public works   | 66,017                  | 66,328           | 47,422                | 18,906  |
| <b>Total Expenditures</b>                                    | <b>66,017</b>           | <b>66,328</b>    | <b>47,422</b>         | <b>18,906</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (10,166)                | (10,477)         | 11,515                | 21,992  |
| Net Change in Fund Balances                                  | (10,166)                | (10,477)         | 11,515                | 21,992  |
| Fund Balance, Beginning of Year                              | 73,379                  | 73,379           | 73,379                | -   |
| <b>Fund Balance, End of Year</b>                             | <b>\$ 63,213</b>        | <b>\$ 62,902</b> | <b>\$ 84,894</b>      | <b>\$ 21,992</b>  |



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**APPENDIX C**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

*Upon issuance of the Series 2015 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Series 2015 Bonds in substantially the following form:*

[Date of Delivery]

Moreno Valley Public Financing Authority  
Moreno Valley, California

Moreno Valley Public Financing Authority  
Lease Revenue Bonds, Series 2015 (Taxable)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Moreno Valley Public Financing Authority (the "Authority") in connection with the issuance of \$10,430,000 aggregate principal amount of Moreno Valley Public Financing Authority Lease Revenue Bonds, Series 2015 (Taxable) (the "Series 2015 Bonds"), issued pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the "Trust Agreement"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed a Master Facilities Lease, dated as of December 1, 2015 (the "Facilities Lease"), between the City of Moreno Valley (the "City"), as lessor, and the Authority, as lessee; Master Facilities Sublease, dated as of December 1, 2015 (the "Facilities Sublease"), between the Authority, as lessor, and the City, as lessee; the Trust Agreement; opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2015 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Facilities Lease, the Facilities Sublease and the Trust Agreement. We call attention to the fact that the rights and obligations under the Series 2015 Bonds, the Facilities Lease, the Facilities Sublease and the Trust Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal

remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Facilities Lease, the Facilities Sublease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2015 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2015 Bonds constitute the valid and binding limited obligations of the Authority.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Series 2015 Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Facilities Lease and the Facilities Sublease have been duly executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City.

4. Interest on the Series 2015 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015 Bonds.

Faithfully yours,

**APPENDIX D**

**PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE**

*Upon issuance of the Series 2015 Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Moreno Valley (the "City") in connection with the issuance by the Moreno Valley Public Financing Authority (the "Authority") of its \$\_\_\_\_ Lease Revenue Bonds, Series 2015 (Taxable) (the "Bonds"). The Bonds are being issued pursuant to a Master Trust Agreement, dated as of December 1, 2015 (the "Trust Agreement"), by and between Wells Fargo Bank, National Association, as trustee and the Authority. The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Bond Insurer, the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term "Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term "Beneficial Owner" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term "Fiscal Year" means the one-year period ending on the last day of June of each year.

Holder. The term "Holder" means a registered owner of the Bonds.

Listed Events. The term "Listed Events" means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term "Official Statement" means the Official Statement dated November \_\_, 2015 relating to the Bonds.

Participating Underwriter. The term "Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term "Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The City shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2015) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) audited financial statements of the City and the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) To the extent not included in the audited financial statements provided pursuant to the foregoing Section 4(a), the Annual Report shall contain the following information:

(i) revenues, expenditures, and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year;

(ii) property tax levies and collections for the most recently completed Fiscal Year; and

(iii) outstanding debt of the City for the most recently completed Fiscal Year, including revenue and lease indebtedness.

The items described above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

7. Termination of Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Bond Insurer or any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Bond Insurer, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December \_\_, 2015

CITY OF MORENO VALLEY

By: \_\_\_\_\_  
Its: City Manager

## **APPENDIX E**

### **BOOK-ENTRY ONLY SYSTEM**

*The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the City and the Underwriter believe to be reliable, but none of the Authority, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2015 Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2015 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2015 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Series 2015 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct

Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2015 Bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Series 2015 Bond Owner shall give notice to elect to have its Series 2015 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2015 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2015 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2015 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2015 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2015 Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2015 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2015 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## **APPENDIX F**

### **GENERAL INFORMATION REGARDING THE CITY OF MORENO VALLEY AND THE REGION**

*The following information is presented as general background data. The Series 2015 Bonds are payable solely from the Base Rental Payments under the Facilities Sublease as described in the Official Statement. The taxing power of the City, the State or any political subdivision thereof is not pledged to the payment of the Base Rental Payments or the Series 2015 Bonds.*

#### **Location**

The City of Moreno Valley (the “City”) is centrally located in Southern California, 66 miles east of Los Angeles and 100 miles north of San Diego. The City encompasses approximately 51 square miles of land area in western Riverside County. Geographically, the City is bordered by three low-lying mountain ranges, March Air Reserve Force Base and Lake Perris State Park. The City is situated at the junction of two major highways, California State Highway 60 (the Moreno Valley Freeway) and Interstate 215.

#### **Population**

The City is the second largest city in Riverside County with an estimated population of 200,670 as of January 1, 2015. Table F-1 sets forth the total population of the City, the County of Riverside (the “County”) and the State of California (the “State”).

**Table F-1**  
**City of Moreno Valley, County of Riverside and State of California**  
**Population**

|                  | <i>Calendar Year</i> |             |             |             |             |
|------------------|----------------------|-------------|-------------|-------------|-------------|
|                  | <b>2011</b>          | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
| Moreno Valley    | 194,444              | 196,653     | 197,978     | 199,257     | 200,670     |
| Riverside County | 2,205,731            | 2,229,467   | 2,253,516   | 2,280,191   | 2,308,441   |
| California       | 37,427,946           | 37,680,593  | 38,030,609  | 38,357,121  | 38,714,725  |

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2011–2015, with 2010 Benchmark. Sacramento, California, May 2015.

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## Employment

Table F-2 summarizes the labor force, employment and unemployment figures over the period 2010 through 2014 for the City, the County, the State and United States.

**Table F-2**  
**City of Moreno Valley, County of Riverside, State of California and United States**  
**Labor Force, Employment and Unemployment Yearly Average**

| <i>Calendar Year and Area</i> | <i>Labor Force</i> | <i>Employment</i> <sup>(1)</sup> | <i>Unemployment</i> <sup>(2)</sup> | <i>Unemployment Rate (%)</i> <sup>(3)</sup> |
|-------------------------------|--------------------|----------------------------------|------------------------------------|---|
| <b>2010</b>                   |                    |                                  |                                    |   |
| Moreno Valley                 | 87,800             | 74,900                           | 12,900                             | 14.7%                                       |
| Riverside County              | 976,200            | 841,100                          | 135,200                            | 13.8  |
| California                    | 18,336,300         | 16,091,900                       | 2,244,300                          | 12.2  |
| United States                 | 153,889,000        | 139,064,000                      | 14,825,000                         | 9.6   |
| <b>2011</b>                   |                    |                                  |                                    |   |
| Moreno Valley                 | 87,900             | 75,600                           | 12,300                             | 14.0%                                       |
| Riverside County              | 978,200            | 849,400                          | 128,800                            | 13.2  |
| California                    | 18,419,500         | 16,260,100                       | 2,159,400                          | 11.7  |
| United States                 | 153,617,000        | 139,869,000                      | 13,747,000                         | 8.9   |
| <b>2012</b>                   |                    |                                  |                                    |   |
| Moreno Valley                 | 88,800             | 77,800                           | 11,000                             | 12.4%                                       |
| Riverside County              | 989,100            | 873,900                          | 115,200                            | 11.6  |
| California                    | 18,554,800         | 16,630,100                       | 1,924,700                          | 10.4  |
| United States <sup>(4)</sup>  | 154,975,000        | 142,469,000                      | 12,506,000                         | 8.1   |
| <b>2013</b>                   |                    |                                  |                                    |   |
| Moreno Valley                 | 89,500             | 80,100                           | 9,400                              | 10.5%                                       |
| Riverside County              | 998,600            | 899,800                          | 98,800                             | 9.9   |
| California                    | 18,671,600         | 17,002,900                       | 1,668,700                          | 8.9   |
| United States <sup>(4)</sup>  | 155,389,000        | 143,929,000                      | 11,460,000                         | 7.4   |
| <b>2014</b>                   |                    |                                  |                                    |   |
| Moreno Valley                 | 90,500             | 82,600                           | 8,000                              | 8.8%  |
| Riverside County              | 1,010,700          | 927,300                          | 83,400                             | 8.2   |
| California                    | 18,811,400         | 17,397,100                       | 1,414,300                          | 7.5   |
| United States <sup>(4)</sup>  | 155,922,000        | 146,305,000                      | 9,617,000                          | 6.2   |

<sup>(1)</sup> Includes persons involved in labor-management trade disputes.

<sup>(2)</sup> Includes all persons without jobs who are actively seeking work.

<sup>(3)</sup> The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

<sup>(4)</sup> Not strictly comparable with data for prior years.

Source: California Employment Development Department, based on March 2014 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

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Table F-3 summarizes employment by Industry in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“MSA”) from 2010 to 2014. Manufacturing, Retail Trade, Services and Government are the largest employment sectors in the Riverside-San Bernardino-Ontario MSA.

**Table F-3**  
**Riverside-San Bernardino-Ontario Metropolitan Statistical Area**  
**Annual Average Industry Employment 2010-2014**

|   | <i>Calendar Year</i> |                  |                  |                  |                  |
|---|----------------------|------------------|------------------|------------------|------------------|
|   | <i>2010</i>          | <i>2011</i>      | <i>2012</i>      | <i>2013</i>      | <i>2014</i>      |
| Civilian Labor Force                      | 1,802,100            | 1,800,000        | 1,812,800        | 1,818,300        | 1,922,900        |
| Civilian Employment                       | 1,543,700            | 1,556,100        | 1,594,900        | 1,633,400        | 1,766,300        |
| Civilian Unemployment                     | 258,400              | 243,900          | 217,900          | 184,900          | 156,600          |
| Civilian Unemployment Rate                | 14.3%                | 13.6%            | 12.0%            | 10.2%            | 8.1%             |
| Total Farm                                | 15,000               | 14,900           | 15,000           | 14,500           | 14,300           |
| Total Nonfarm                             | 1,144,700            | 1,148,000        | 1,180,300        | 1,231,900        | 1,299,500        |
| Total Private                             | 910,400              | 920,600          | 955,700          | 1,006,700        | 1,056,400        |
| Goods Producing                           | 145,900              | 145,200          | 150,500          | 158,600          | 168,500          |
| Natural Resources and Mining              | 1,000                | 1,000            | 1,200            | 1,200            | 1,300            |
| Construction                              | 59,700               | 59,100           | 62,600           | 70,000           | 77,000           |
| Manufacturing                             | 85,200               | 85,100           | 86,700           | 87,300           | 90,200           |
| Service Providing                         | 998,900              | 1,002,800        | 1,029,800        | 1,073,300        | 1,116,700        |
| Trade, Transportation and Utilities       | 270,900              | 276,500          | 288,500          | 300,600          | 315,000          |
| Wholesale Trade                           | 48,700               | 49,200           | 52,200           | 56,400           | 59,000           |
| Retail Trade                              | 155,500              | 158,500          | 162,400          | 164,800          | 168,700          |
| Transportation, Warehousing and Utilities | 66,600               | 68,800           | 73,900           | 79,400           | 87,300           |
| Information                               | 14,000               | 12,200           | 11,700           | 11,500           | 11,200           |
| Financial Activities                      | 41,000               | 39,900           | 40,900           | 42,200           | 42,700           |
| Professional and Business Services        | 123,600              | 126,000          | 127,500          | 132,400          | 137,800          |
| Educational and Health Services           | 154,100              | 157,600          | 167,200          | 184,500          | 193,600          |
| Leisure and Hospitality                   | 122,800              | 124,000          | 129,400          | 135,900          | 144,300          |
| Other Services                            | 38,200               | 39,100           | 40,100           | 41,100           | 43,200           |
| Government                                | <u>234,300</u>       | <u>227,500</u>   | <u>224,600</u>   | <u>225,200</u>   | <u>228,800</u>   |
| Total, All Industries                     | <u>1,159,700</u>     | <u>1,162,900</u> | <u>1,195,300</u> | <u>1,246,400</u> | <u>1,299,500</u> |

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The “Total, All Industries” data is not directly comparable to the employment data found in this Appendix C.

Source: State of California, Employment Development Department, March 2014 Benchmark.

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## Commercial Activity

Trade outlet and retail sales activity are summarized in Tables F-4 and F-5 based on reports of the State Board of Equalization.

**Table F-4**  
**City of Moreno Valley**  
**Total Taxable Transactions and Number of Sales Permits**  
**2010 through 2014<sup>(1)</sup>**  
**(Dollars in Thousands)**

| <i>Calendar Year</i> | <i>Total Retail Stores</i> | <i>Total Retail Stores Permits</i> | <i>Total Taxable Transactions</i> | <i>Total Issued Permits</i> |
|----------------------|----------------------------|------------------------------------|-----------------------------------|-----------------------------|
| 2010                 | \$ 994,464                 | 1,652                              | \$1,067,546                       | 2,154                       |
| 2011                 | 1,092,691                  | 1,693                              | 1,172,223                         | 2,198                       |
| 2012                 | 1,185,877                  | 1,732                              | 1,275,922                         | 2,231                       |
| 2013                 | 1,240,243                  | 1,616                              | 1,349,129                         | 2,116                       |
| 2014 <sup>(1)</sup>  | 309,369                    | 1,641                              | 347,141                           | 2,138                       |

<sup>(1)</sup> Through first quarter.

Source: California State Board of Equalization.

**Table F-5**  
**City of Moreno Valley**  
**Retail Sales**  
**2010 through 2014<sup>(1)</sup>**  
**(Dollars in Thousands)**

| <i>Type of Business</i>    | <i>2010</i>                | <i>2011</i>                | <i>2012</i>                | <i>2013</i>                | <i>2014<sup>(1)</sup></i> |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|---------------------------|
| Apparel Stores             | \$ 72,118                  | \$ 74,107                  | \$ 87,871                  | \$ 98,978                  | \$ 23,915                 |
| General Merchandise Stores | 239,866                    | 250,607                    | 255,502                    | 258,862                    | 58,107                    |
| Food Stores                | 81,341                     | 82,516                     | 84,447                     | 84,981                     | 20,834                    |
| Eating/Drinking Places     | 150,713                    | 161,054                    | 174,706                    | 186,885                    | 50,592                    |
| Home Furnishing            | 22,901                     | 23,044                     | 16,927                     | 12,361                     | 3,210                     |
| Building Materials         | 78,985                     | 79,177                     | 85,822                     | 91,247                     | 24,674                    |
| Auto Dealers               | 126,172                    | 150,504                    | 205,299                    | 230,751                    | 59,189                    |
| Service Stations           | 163,294                    | 197,564                    | 199,696                    | 197,899                    | 49,289                    |
| Other Retail Stores        | <u>59,075</u>              | <u>74,118</u>              | <u>75,607</u>              | <u>78,280</u>              | <u>19,559</u>             |
| Retail Stores Totals       | <u>\$ 994,464</u>          | <u>\$ 1,092,691</u>        | <u>\$ 1,185,877</u>        | <u>\$ 1,240,243</u>        | <u>\$ 309,369</u>         |
| All Other Outlets          | <u>73,082</u>              | <u>79,532</u>              | <u>90,045</u>              | <u>108,886</u>             | <u>37,772</u>             |
| Total All Outlets          | <u><u>\$ 1,067,546</u></u> | <u><u>\$ 1,172,223</u></u> | <u><u>\$ 1,275,922</u></u> | <u><u>\$ 1,349,129</u></u> | <u><u>\$ 347,141</u></u>  |

<sup>(1)</sup> Through first quarter.

Source: California State Board of Equalization.

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## Assessed Valuation

Table F-6 sets forth the City's assessed valuation of property for Fiscal Years 2010 through 2014.

**Table F-6**  
**City of Moreno Valley**  
**Assessed Valuation of Taxable Property**  
**Fiscal Years 2010 to 2014**  
**(Dollars in Thousands)**

| <i>Fiscal Year<br/>Ended June 30</i> | <i>Secured<br/>Value</i> | <i>Unsecured<br/>Value</i> | <i>Total Assessed<br/>and Estimated<br/>Full Value</i> |
|--------------------------------------|--------------------------|----------------------------|--|
| 2010                                 | \$10,625,910             | \$236,904                  | \$10,862,814   |
| 2011                                 | 10,516,338               | 238,786                    | 10,755,124   |
| 2012                                 | 10,561,585               | 271,336                    | 10,832,921   |
| 2013                                 | 10,646,415               | 342,094                    | 10,988,509   |
| 2014                                 | 11,042,637               | 352,337                    | 11,394,974   |

Source: City of Moreno Valley Comprehensive Annual Financial Report for the year ending June 30, 2014.

Table F-7 is a summary of the property tax levies and total collections for Fiscal Years 2010 through 2014.

**Table F-7**  
**City of Moreno Valley**  
**Property Tax Levies and Collections**  
**Fiscal Years Ending June 30, 2010 to June 30, 2014**

| <i>Fiscal Year<br/>Ended June<br/>30</i> | <i>Collected within the Fiscal<br/>Year of Levy</i> |               |                            | <i>Total<br/>Collections to Date</i>               |               |                            |
|--|---|---------------|----------------------------|--|---------------|----------------------------|
|  | <i>Taxes Levied</i>                                 | <i>Amount</i> | <i>Percent of<br/>Levy</i> | <i>Collections<br/>in<br/>Subsequent<br/>Years</i> | <i>Amount</i> | <i>Percent of<br/>Levy</i> |
| 2010                                     | \$35,573,656  | \$35,492,693  | 99.77%                     | \$ 80,963  | \$35,573,656  | 100.00%                    |
| 2011                                     | 33,713,334  | 33,658,226    | 99.84                      | 55,108   | 33,713,334    | 100.00                     |
| 2012                                     | 33,226,437  | 33,172,713    | 99.84                      | 53,724   | 33,226,437    | 100.00                     |
| 2013                                     | 25,630,602  | 25,580,901    | 99.81 <sup>(1)</sup>       | 49,701   | 25,630,602    | 100.00                     |
| 2014                                     | 26,906,254  | 26,862,040    | 99.84                      | 44,214   | 26,906,254    | 100.00                     |

<sup>(1)</sup> Beginning in Fiscal Year 2013, redevelopment tax increment was no longer included in the calculation for the levy and the collections.

Source: City of Moreno Valley Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

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## **Building Activity**

Table F-8 summarizes building activity in the City of Moreno Valley since 2010.

**Table F-8**  
**City of Moreno Valley**  
**Building Permit Valuations**  
**2010-2014**  
**(Dollars in Thousands)**

|                                    | <b>2010</b>        | <b>2011</b>       | <b>2012</b>        | <b>2013</b>        | <b>2014</b>        |
|------------------------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| <b>Residential</b>                 |                    |                   |                    |                    |                    |
| Single Family                      | \$ 27,663.2        | \$ 6,606.1        | \$ 2,064.4         | \$ 42,615.9        | \$ 12,681.2        |
| Multi-Family                       | 6,812.7            | 0.0               | 13,268.3           | 4,970.0            | 0.0                |
| Alteration/Additions               | <u>1,713.2</u>     | <u>1,573.3</u>    | <u>1,313.1</u>     | <u>2,093.1</u>     | <u>2,548.0</u>     |
| Total                              | \$ 36,189.2        | \$ 8,179.4        | \$ 16,645.8        | \$ 49,679.0        | \$ 15,229.2        |
| <b>Non-Residential</b>             |                    |                   |                    |                    |                    |
| New Commercial                     | \$ 63,044.8        | \$ 58,430.5       | \$ 2,076.0         | \$ 1,007.3         | \$ 20,308.1        |
| New Industry                       | 0.0                | 0.0               | 0.0                | 71,432.6           | 89,400.0           |
| Other <sup>(1)</sup>               | 3,474.6            | 3,627.9           | 1,913.0            | 2,569.4            | 22,244.6           |
| Alteration/Additions               | <u>7,955.0</u>     | <u>15,032.4</u>   | <u>8,781.6</u>     | <u>34,559.0</u>    | <u>28,413.3</u>    |
| Total                              | \$ 73,900.6        | \$ 77,090.8       | \$ 12,776.6        | \$ 109,568.3       | \$ 160,366.0       |
| <b>Total</b>                       | <b>\$110,089.7</b> | <b>\$85,270.2</b> | <b>\$ 29,422.4</b> | <b>\$159,247.3</b> | <b>\$175,595.2</b> |
| Single Family Units <sup>(2)</sup> | 91                 | 23                | 12                 | 133                | 46                 |
| Multi-Family Units <sup>(2)</sup>  | <u>70</u>          | <u>0</u>          | <u>54</u>          | <u>60</u>          | <u>0</u>           |
| Total                              | 161                | 23                | 66                 | 193                | 46                 |

<sup>(1)</sup> Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

<sup>(2)</sup> Not in thousands.

Source: Construction Industry Research Board.

## **Utilities**

The City receives water service from the Eastern Municipal Water District, Sunnymead Mutual Water Company, Moreno Valley Mutual Valley Mutual Water Company and Edgemont Gardens Mutual Company. The City is also serviced by Verizon and Southern California Gas Company. Electrical service for most of the City's developed areas is provided by Southern California Edison. The City has established an electric utility that is providing service for the remainder of the City.

## **Transportation**

The City is centrally located within the Inland Empire. Highways passing through the City include California State Highway 60 and Interstate 215. California State Highway 60 connects in Riverside to California State Highway 91, which connects to Orange County and Long Beach. California State Highway 60 and Interstate 215 provide access Interstate 10 within 15 miles of the City. Rail service in the City includes the Burlington Northern Santa Fe branch line. There is one local freight daily, which services the Edgemont area of Moreno Valley and areas on the west side of Interstate 215. The main line service in Riverside has stop locations at the Union Pacific, Southern Pacific and Burlington Northern Santa Fe stations. Metrolink commuter rail service in Riverside to Los Angeles and Orange County.

Ontario International Airport (owned and operated by Los Angeles World Airports), approximately 31 miles northwest of the City, is served by AeroMexico, Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, United Airlines/United Express, US Airways and Volaris. Various airlines provide freight

services at Ontario International Airport. Riverside Municipal Airport has general aviation facilities with 5,400 feet and 1,600 feet runways.

### **Education**

The City is served by two public school districts: Moreno Valley Unified School District and Val Verde Unified School District. Moreno Valley Unified School District has 23 elementary schools, six middle schools, five comprehensive high schools, one charter school, one adult school, one continuation school, a community day school, one pre-school and one academic center. Val Verde Unified School District serves the communities of Perris, Mead Valley and Moreno Valley. Val Verde Unified District has one pre-school, 13 elementary schools, five middle schools and four high schools.

The City is also home to Moreno Valley Community College.

### **Recreation and Culture**

Lake Perris State Park offers boating, swimming, water-skiing, fishing and camping within its 8,300 acres. Box Springs Mountain Park provides trails for hiking and horseback riding. The City centralized location allows residents to visit nearby mountain resorts, Palm Springs and the beach cities with relative ease. Three golf courses are available, including the 27 hole Moreno Valley Rancho Golf Club, ranks among the top 75 public courses in the U.S. The City's park system consists of 29 parks with 328 acres. The City offers a variety of recreational activities for adults and youth. The City is served by the City's library system.

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**APPENDIX G**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
31 West 52nd Street, New York, N.Y. 10019  
(212) 974-0100